Environment

Herbicide use threatens food export future

by Belinda Gillespie

A TOTAL 2.4.5-T ban in the United States could force New Zealand to follow suit to maintain agricultural export levels.

While New Zealand is scoring as one of the world's heaviest users of 2.4.5-T with about 500 tonnes applied each year, the American Environmental Protection Agency has suspended several uses of the chemical. And further court hearings on whether to make a total ban are imminent.

The United States is increasingly refining its detection methods for the 2.4.5-T impurity dioxin in food imports and even though dioxin has not been found in New Zealand products the threat of potential rejection is growing. At present dioxin can be traced down to one part per trillion.

Popular feeling against 2.4.5-T is mounting in New Zealand, Australia and the United States. Governments in at least three countries — Italy, Sweden, and Holland — have banned the herbicide to quell public misgivings.

Although 2.4.5-T has become an issue at local body level in New Zealand, decisions on its use have so far been left to scientific and agricultural experts employed by the Government, not to politicians.

Fuel has been added to the outcry in New Zealand by army veterans who have reported effects which they link to exposure to the defoliant, agent orange, used extensively during the Vietnam war.

Of a number of defoliants, agent orange was the most used in Vietnam from 1964 to 1971. Spraying was stopped after the publication of an American study on mice which showed that birth defects were caused by dioxin, the poisonous contaminant of 2.4.5-T.

Agent orange was a mixture of two herbicides, 2.4.5-T and 2.4.D. As used in Vietnam, it contained dioxin at average level of 27 pmm (parts per million), close to the concentration at which it caused birth deformities in laboratory animals.

After the discovery that dioxin was a "teratogen" (an agent causing birth defects) most countries limited permissible levels to 0.1 ppm.

Regular DSIR checks in New Zealand show that the dioxin content of 2.4.5-T used here is about 0.02 ppm — considerably lower than the legal limit.

An American scientific team went to Vietnam in 1974 to investigate the health and ecological effects of the massive spraying of the countryside.

Of the total land area, 8.6 per cent had been sprayed, and agent orange used had contained dioxin up to 50 ppm.

Because of conditions during the war and continued fighting at that time, the team reported a lack of epidemiological data on which to base conclusions about any increase in birth defects, or otherwise.

Allegations that American Vietnam veterans had been affected were first reported in 1977. An American Air Force report released in 1978 however, concluded that it was unlikely that troops had been affected, but pointed out that while the short-term effects, notably a skin rash named chloracne, were well known, there was little data on the long-term effects of exposure to dioxin.

One of the difficulties of setting up a proper scientific study has been sorting out the degree of exposure experienced by different groups of servicemen, so that an exposed group could be measured against a control group with relatively little exposure.

It is essential for the scientific credibility of a study that both groups are veterans because of the many other variables such as disease, climate, drugs and psychological effects of the war which would not have been experienced by any comparable group selected from the American civilian population.

The study of pregnant women at Alsea, Oregon, which resulted in last year's suspension of certain uses of 2.4.5.-T in the United States has proved to be unacceptable to scientists throughout the world, chiefly because of its failure to match the group of women tested with a control group similar in all important respects.

The United States Air Force will now study a group which was involved in "operation ranch hand" - a spraying project in which the personnel loading the planes with defoliant received maximum exposure.

About 1200 men were involved, and will be measured against the same number of men who received no more than routine exposure.

A time lag of up to two years, by the time those to be involved have been located, screened, and the results assessed and collated, is likely.

In the meantime, Vietnamese veterans in the United States, Australia and New Zealand will remain in the dark about the potential effects of agent orange exposure on unborn children.

Our Defence Department has responded by lodging inquiries with its counterpart in Australia, and with the United States Veterans Administration for information on when and where agent orange was used.

Air Commodore Leonard Thompson confirmed that the department hoped for useful information from Australian servicemen who operated under similar conditions to the New Zealanders. The department has also undertaken a study on all Vietnam veterans still in service, and their families.

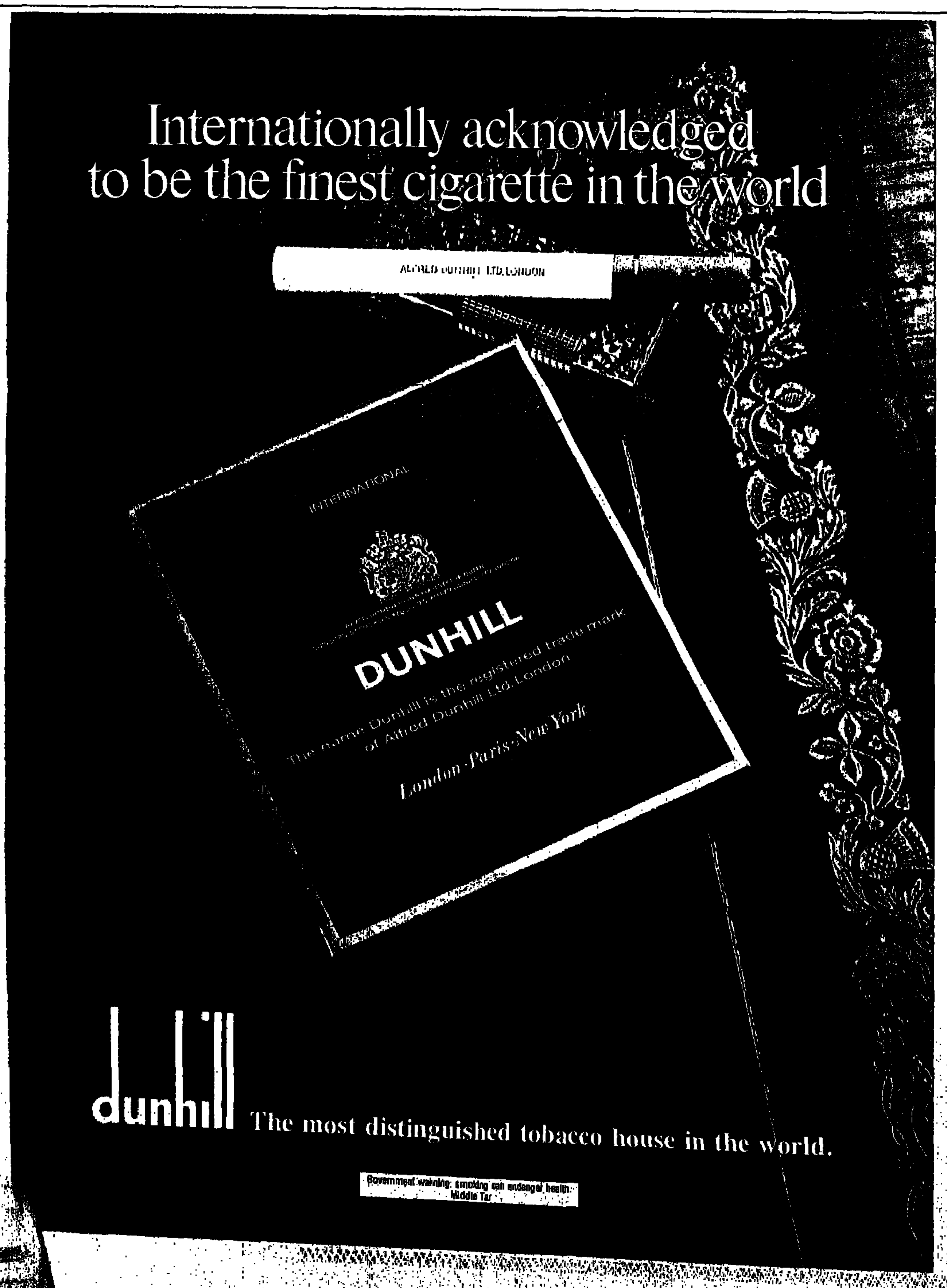
While the 400 servicemen sample to be studied is too small to reveal any conclusive results, it will be compared with Health Department statistics for the population at large, and will give at least "some feeling for the incidence of problems".

If there is evidence of an unusual incidence of abnormality, investigations might be carried out on all servicemen who were in Vietnam, but no decisions have been made beyond the immediate study and request for overseas information.

Despite mounting public feeling against 2.4.5-T, Health Department toxicologist Michael Bates says there is no persuasive evidence that the herbicide causes birth defects or chromosome damage in humans.

The "half-life" of 2.4.5-T, the period which it remains in the tissues after ingestion, is much less than that of the more accumulative substance DDT.

The banning of DDT in the United States in response to popular and political pressure, not for scientific reasons, was followed in New Zealand and throughout the world ...



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NEW ZEALAND'S NATIONAL WEEKLY OF BUSINESS, POLITICS AND ECONOMICS

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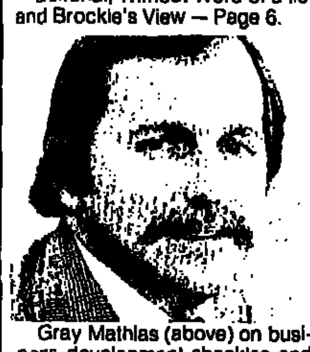
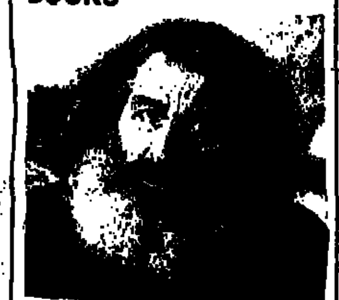
Inside

THE WEEK
Public Accounts show need for Government to cut spending — Page 3.
Air New Zealand's buying spree will hit the taxpayer — Page 5.
COMMENT
Editorial, Without Word of a lie and Brockie's View — Page 6.



Gray Mathias (above) on business development shackles and Brett Ambler attacks the barrow-pushers in the methanol carve-up — Page 7.
Letters to the Editor — Page 8.
POLITICS
Colin James wonders if the National Party can get its act together again — Page 9.
INVESTMENT
Securitibank liquidator faces $50 million civil action decision — Page 10
ECONOMY
High finance puzzle traps an unwary public — Page 11.
O'BRIEN ON BUSINESS
Growth probe waxes between optimism and realism — Page 14.
Analysing annual accounts: General Finance — Page 15.
Export incentives take on new light — Page 16.
LAW
Justice Minister Jim McLay prepares for liquor reform in an attempt to gentrify grog's own country — Page 17.
INDUSTRIAL RELATIONS
Bank Officers' Union steps out front in providing for nine-month maternity leave — Page 19.
RETAILING
Saturday trading brought Retailers' Federation and Shop Employees' Union into the same bed. But the two have yet to embrace — Page 22.
GOVERNMENT ADMINISTRATION
Surprise medical equipment announcement means million-dollar business for successful tenderers — Page 23.
BOOKS



Dr Erich Geiringer dives into the maelstrom with Lex Augusta — Page 25.
MANUFACTURING
Government prescribes a mix of sweet and bitter pills for the textile trade — Page 26.
REGIONAL DEVELOPMENT
AHI container success story sinks from southern favour — Page 27.
MANAGEMENT
Electronic engineers attempt to streamline milk production — Page 29
THE OFFICE
Office accommodation too low in spending priorities — Pages 30-31.

Overseas boost for TV news

TELEVISION New Zealand has completed negotiations that will put a greater overseas content into news bulletins.

A second satellite service is being taken on an experimental basis for two months.

The cost for such a service is understood to be well over $160,000 a year.

TVNZ also will be taking a weekly news package from CBS in the United States — a service to begin this week — plus a weekly video package from Australia.

The extended overseas news coverage is expected to enable regionally based news staff to concentrate on regional news bulletins.

The services are aimed at taking pressure off local news teams, to make regional bulletins better for local consumers.

They will also allow a better news selection for national bulletins.

Emphasis on regional news coverage is fundamental to the objectives of television's restructuring.

The 7.30 time slot for regional news is said to have been a board decision, overruling executive staff on the question.

But some broadcasters have insisted that the public has been educated away from provincial news and been led to expect good-quality national and international news.

News, current affairs and sport controller Bruce Crossan said last week that TVNZ intended, from March 31, to take a second daily satellite service from CBS on a two-month trial basis via Pacific satellite.

He declined to discuss costs.

After the two-month period, a final decision will be made on the continuation of a satellite service from the United States on a permanent basis.

Design and models Helen Forlong Photography Ray Langley

The Visnews service will be continued.

TVNZ is also negotiating with Kerry Packer's Channel Nine to bring in a daily tape of Australian news to give better coverage of the Australian scene.

In effect, the new deals will mean 20 minutes of satellite news a day (compared with 10 now), and will give access to 30 minutes of material from Australia (10 minutes now) and 30 minutes from the United States (none now).

Crossan said he intended to beef up the news bulletins with international news.

"There is a growing interest here in international news," he said.

Previously, overseas news had been used to "top up" news bulletins on an *ad hoc* basis.

But he intended that TVNZ be more selective with international news. This should have a beneficial effect on regional news, leaving these half-hour programmes to concentrate on their regions rather than trying to turn local into national news to help fill out national bulletins.

Each night, there will be an hour and a half of news (with national bulletins at 6.30 and 10pm and regional bulletins at 7.30pm).

On top of that will be two weekly current affairs programmes ("Eyewitness" twice weekly; "Close-up" weekly).

Crossan said the cost of the total news package would not be more than the 1979 costs of TV One and TV Two news budgets.

The corporation has always maintained it will reintroduce regional news programmes on existing staff and out of present production budgets.

The cost of mounting the 30-minute regional news programmes would be achieved "without a dramatic increase in operating costs," Crossan said last September.

Regional news will be a half-hour programme of news items three to four minutes long, broadcast in the four regions five days a week.

The Auckland region, called the "Top Half", covers the area from National Park to North Cape. Taupo has little in common with Auckland. But savings might be made.

Where often there were two reporters on a job, now there will be only one.

Where there were two regional news networks, now there is one

The idea is to run the system on the same number of staff as were previously employed by TV One and SPTV.

Some reporters are sceptical they will be able to fill the half-hour time slots five nights a week without extra staff.

The news service is being rejuvenated against a background of staff shortages.

A number of news reporters have been lost to current affairs programmes. Others have left the corporation.

The national news centre has been moved to Auckland.

Suite four at Avalon - boasted to be the most comprehensive in the southern hemisphere — was specially designed for news presentation and to deal quickly with film. It was also designed as the news network centre for New Zealand.

But corporation chairman Ian Cross has said the news centre was moved to Auckland because the corporation believed a monolithic medium like television should be broadly based and not centralised in Wellington.

Thus the national news will be produced from a centre with its facilities some blocks apart, requiring staff to dash across the city, often in peak-hour traffic, to meet deadlines.

The news centre has been moved to Auckland also because people didn't want the sort of news produced by Wellington journalists. Cross has said, it was very difficult to be impartial in Wellington, and Aucklanders had a better perspective, he wrote in the *Listener*.

Under the reorganisation, Wellington has become an advertising centre (although the commercial heart of the country is Auckland), and Auckland is the news centre (but Wellington is the political heart of the country.)

Ironically, TVNZ expects 60-70 per cent of the national bulletin to be provided by the Wellington-based journalists.

Continued on Page 16

TVNZ: Promises and production problems — Pages 20-21

During the trial period, negotiations will be undertaken with other news services.

A new package from CBS would also be taken on a trial basis — a weekly cassette which would be a weekly compilation of the best CBS news and current affairs, Crossan said.

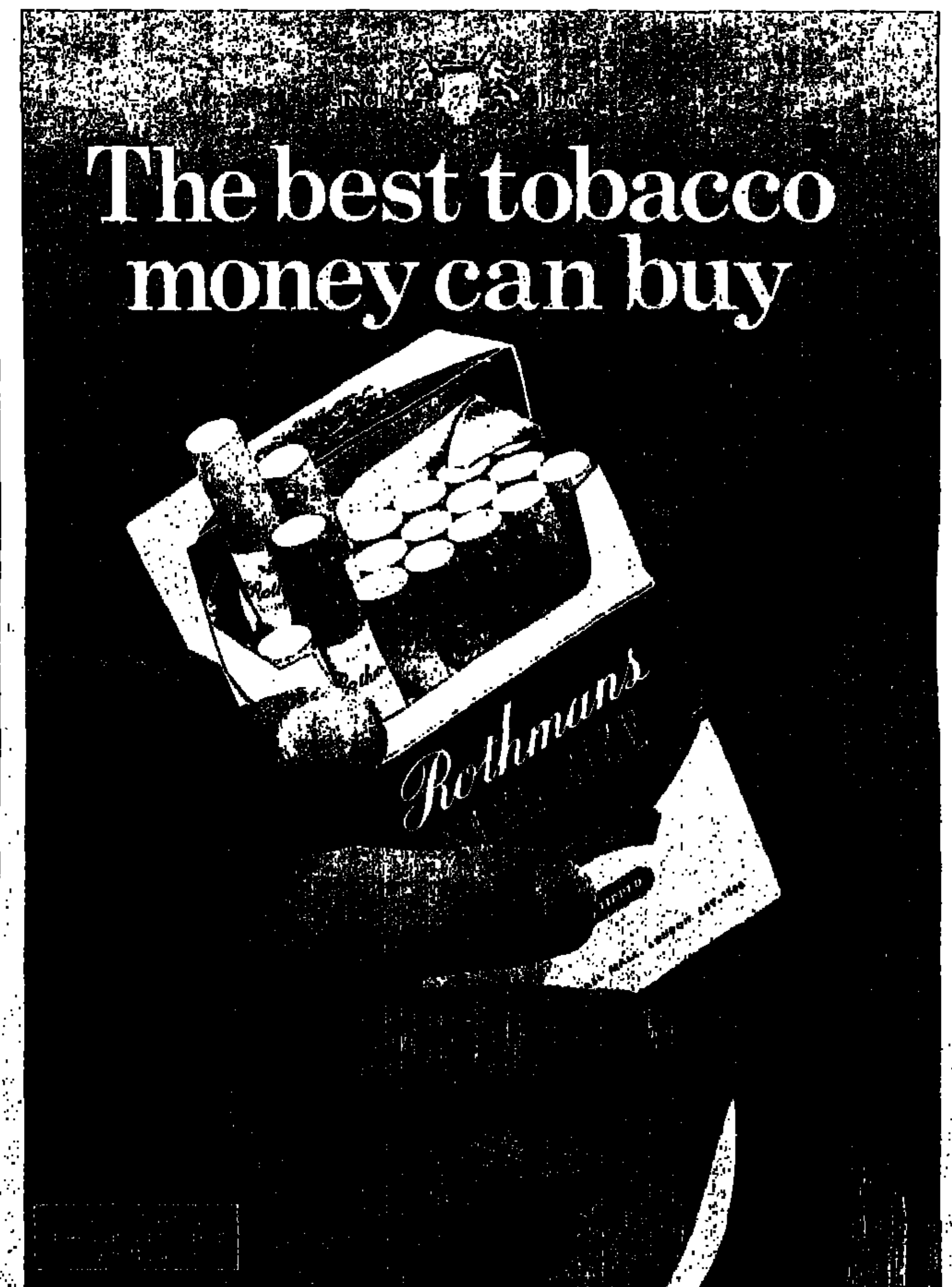
"The CBS news is the *creme-de-la-creme* of American news services," Crossan said.

The package service will begin this week.

News coming direct from the United States across the Pacific will be faster and "with the clock".

International news now comes from Aspac (Visnews) in London. It is sent against the clock, beamed from London, bounced off the Indian Ocean satellite to Australia, then bounced off the Pacific satellite to New Zealand.

News from the United States through this route is usually out of date because of the time factor.



The week

BUILDING: The number of building permits for houses and flats issued in November were down 26.9 per cent over November 1978; and the value of the dwellings went down 12.3 per cent.

UNEMPLOYMENT: The number of people registered as unemployed at the beginning of the month totalled 28,170, an increase of 515 over the figure during the middle of January. The figure includes 715 people who became unemployed as a result of industrial disputes, and a break down of the total by districts indicates that there were decreases in the number of people registered as unemployed in 14 employment districts, said Labour Minister Jim Bolger.

QANTAS was forecast to lose $30 million in the financial year to March 31. Skyrocketing fuel and labour costs, low yield fares and lower than anticipated loading factors are being blamed for the sharp turnaround from a $22.7 million operating profit last year.

TRADE: An export trade record pushed the trade surplus over the $700 million mark, in the December year. Exports were $4551 million and imports $3840 million (a $711 million trade surplus). The strongest export growth was in meat ($318 million $1296 million in the year), wool ($183 million to $851 million), other animal products ($79 million to $402 million), forest products ($97 million to $3[illegible] million) and manufactur[illegible] [illegible]ports ($133 million to $[illegible] million). The strongest [illegible] import increase would have been in oil.

TAXI fare and cartage rate increases were approved by the Ministry of Transport. There will be an increase of 5-10c in taxi fares; road cartage rates will go up 4.3 per cent in rural areas and 1.8 per cent in urban.

THE Northland Harbour Board is recommending a multi-million-dollar expansion of Marsden Point as a port for Northland's timber exports.

MOUNT Cook airlines applied for fare increases of up to 20 per cent, the third application in 12 months. It follows Air New Zealand's claim for a 16 per cent increase in domestic services and will be heard on March 6. Some fares will be cut by 50 per cent.

POPULATION: The population declined by 600 last year to 3,150,800 according to Department of Statistic figures.

PRIVATE radio stations, want Sunday advertising. The Broadcasting Tribunal will hear their case mid-March. The Broadcasting Corporation said it did not want Sunday advertising on its television and radio stations, but it feared that if it stuck to that policy, the private radio stations would get an advantage.

THE carless day scheme would be suspended for the Easter holidays, from April 3 to April 9, Energy Minister Bill Birch announced.

THE Government will try to trace about 4000 Vietnam War veterans in a further attempt to find out whether the defoliant Agent Orange caused any lasting health defects. In Adelaide more then 1000 Australian and New Zealand Vietnam veterans will try to claim compensation from the American makers of the herbicides used in Agent Orange.

FORMER Prime Minister Pierre Trudeau's Liberal Party returned to power with a solid majority in the Canadian general election.

HARBOUR Board Employees Union decided to run the Cook Strait ferries as normal from Friday -- the day that management agreed to meet the union in a compulsory conference.

EMPLOYMENT: The number of people employed under private and public sector job creation programmes was 19,179 at February 1 (down by 2092 on the previous month's figures. There was an increase of 339 students employed under the Student Community Service Programme over the same period, making the total number 8,452.

The week ahead

MONDAY: Training and Development Association meeting in Williams Centre conference room, Wellington, 5.30 pm.

28th Session of the Commission on the Status of Women, in Vienna (Collen Dewe will represent New Zealand).

International Federation of Orthopaedic and Manual Therapists conference, in Rotorua.

Nurserymen Association's 73rd annual conference in Dunedin.

Transport Minister McLachlan will be back at his desk after a long leave.

TUESDAY: Preliminary hearings on the lifting of price controls on a wide range of products by the Commerce Commission begins (colour TV February 26, bread February 27, fruit February 28, ceramics March 3, building boards March 4, new cars March 6).

Motor Trade Association will meet Energy Minister Birch about their petrol reselling margin.

WEDNESDAY: Employer's Federation National Convention, in Auckland.

General Finance Limited's annual general meeting, Wool House, Wellington.

SATURDAY: United Fire Brigades Association conference, in Blenheim.

The business week

Broken Hill Proprietary Co. Limited lifted net profit by 64.9 per cent in the half year to November 30 to A$147,517,000. A dividend of 15.5 per cent was paid in November.

Collingwood Holdings Limited has extended the closing date for acceptance of its takeover bid for Schofield Holdings Limited to 5 pm March 14.

Conzinc Riotinto of Australia Limited doubled audited pre-tax profits for the year ending December 31 to A$309.148 million. A final dividend of 10c will be paid on May 1.

Cooks New Zealand Wines Co Limited reported an audited pre-tax profit of $521,916 for the half year to December 31 1979 ($249,017 in the corresponding period a year earlier).

Dalgety New Zealand Limited reported an unaudited tax-paid profit of $2838 million for the half-year to December 31 1979 (up 36.6 per cent over the previous half-year). An interim dividend of 5c will be paid on April 3.

H B Farmers Co-operative increased unaudited tax-paid profit by 8 per cent to $766,000 for the six months to December 31 1979 over the corresponding period of the previous year.

Todd Motors joined the **National Bank** in a takeover bid for **General Finance**. The other two major shareholders (**NZ Motor Corporation** and **Cable Price Downer**) have approved the bid, which will cost Todd Motors $12,300,000

Lane Walker Rudkin Industries Limited paid an interim dividend of 3½c per share (7 per cent) for the half-year December 19, 1979 ([illegible] up [illegible] the corresponding period last year.)

Lend Lease Corporation Limited lifted net profit by 22.1 per cent A$9,541,000 for the half-year to December 1979. Directors expect to pay not less than A.15c dividend for the year.

Merbank Corporation Limited – the merchant banking arm of Securitibank – is suing Melbourne-based **Commodore Hotels Group** for $13.5 million.

Motor Holdings Limited reported an increase in unaudited pre-tax profit to $1[illegible] million from September 30 to December 31.

Mount Cook Group Limited reported a pre-tax profit of $41,144 for the six months ended November 30 1979 ($35,630 in the corresponding period the previous year).

New Zealand Light Leathers Limited reported an audited tax-paid profit of $37,417 for the year ended December 31 1979.

Smiths City Market Limited increased unaudited tax-paid profit by 7.3 per cent, to 384,500 in the six months to October 31.

Ivon Watkins Dow Limited increased audited tax-paid profit by 117.3 per cent to $[illegible] million for the year ended December 31 1979. The directors will recommend a one-for-seven bonus issue from the share premium account and a final dividend of 5.5c.

Exchange Rates

As at February 21 1980 $1NZ is worth:

Australia	.8832
Britain	.4268
Canada	1.1219
Fiji	.8096
Japan	237.77
West Germany	1.6870
USA	.9714
Austria	12.08
Belgium	27.43
China	1.4620
Denmark	5.2548
France	3.9569
Greece	36.95
Hong Kong	4.7660
India	7.7044
Italy	on application
Malaysia	2.1077
Netherlands	1.8605
New Caledonia and Tahiti	71.84
Norway	4.7066
Pakistan	9.5277
Papua-New Guinea	on application
Portugal	45.94
Singapore	2.0831
South Africa	.7853
Spain	65.09
Sri Lanka	on application
Sweden	4.0331
Switzerland	1.5877
Western Samoa	.8853

The week

Public accounts: need to control state spending

Economics correspondent

THE December Public Accounts released last week show that the Government is unlikely to achieve any of its budgeted targets this year. Spending and tax receipts will be lower than budgeted while the deficit before borrowing may turn out above the target level. And yet the Minister of Finance, Rob Muldoon says that "the overall position of the Public Accounts at the end of December is satisfactory."

The deficit of $1614 million for the nine months to December 1979, was below the deficit of $1757 million recorded at the same time a year earlier. But the Government must take steps to firmly control spending over the next quarter if it expects to bring the deficit down to $1090 million as planned in the 1979 Budget.

Although the overall level of Government expenditure was slightly below the expected level for the nine months to December, receipts are further below target.

Government spending has slowed dramatically, according to the December accounts. It now appears that total spending in the year to March 31 might be as much as $200 million under the budgeted level of $7685 million. For the first three quarters of the year, Government departments spent only 73 per cent of their appropriations.

While income tax receipts have increased by a substantial $338 million since December 1978, the gain is not large enough to ensure the Government achieves its budgeted return of $4560 million.

If income tax receipts follow last year's seasonal pattern, this year's collections will be more than $260 million less than expected.

Muldoon is banking on unusually large tax payments by companies and farmers during March to bring income tax receipts up to budgeted levels. Higher than normal tax payments (terminal tax payments) by state servant's may also be collected in March as a result of backpay accruing in the 1979 tax year.

If the Government's revenue reaches the Budget target as a result of these unusual tax flows and government spending continues at the present slow pace, the deficit could fall below the forecast of $1090 million for the year.

Falls in spending and in the deficit are signs of a reduction in government activity. This may be satisfying to a Prime Minister pressured by party members espousing free enterprise.

For them, any reduction in the size of the public sector is a good thing because more resources are then available to the apparently more competitive private sector.

But with activity in the private sector still sluggish, it may not be the best time to put laissez-faire theories into practice. At Budget time, Muldoon claimed that the fundamental aim of policy is to keep the economy on a steady growth path to provide the economic climate for restructuring in non-traditional exports.

Since the private sector has yet to show itself efficient at generating economic activity, the Government may have to carry the ball a little longer with deficit finance.

(For a more thorough analysis of the December Public Accounts, see next week's issue).

Govt strips off textile trade's protection mantle

by Rae Mazengarb

THE Government last week announced plans to restructure the textile industry, aimed at removing protectionism and establishing greater efficiency and international competitiveness over four years.

The plan conforms generally to the Industries Development Commission's report published late last year (*NBR*, October 24.)

Trade and Industry Minister Lance Adams-Schneider said the measures were designed to "capitalise on the strengths and the potential strengths of the textile industry by reducing the costs of yarns and fabrics and other raw materials and encouraging greater productive efficiency".

In line with IDC thinking, the Government sees the production of wool-based products, knitting and apparel as the potential growth areas. The main thrust of the Government plan is to benefit those areas.

Adopting the IDC recommendation – one of the most criticised by the wool milling industry – the Government has removed the substitutability clause which has been used to protet that sector from imports of woven synthetics.

In its place, the "predominant fibre rule" means that fabrics of 49 per cent and below of wool – now under import control – will be exempt from import licensing from July 1.

The carpet industry will continue to be protected. The proposed 60 per cent sales tax on synthetic carpet will not be introduced, but manufacture of synthetic carpets will be "actively discouraged, if necessary".

The only significant departure from the IDC recommendations involves synthetic yarn. The IDC recommended a bounty be paid on synthetic yarn, but the Government has opted to reduce tariffs to "the lowest rates consistent with New Zealand's international obligations," and exempt those imports from licensing.

Exemptions and duty reductions occur in woven non-wool fabrics, plain towels, linen, babies and young infant's outerwear.

To help the beleaguered woollen milling industry, the Government will provide $5 million to facilitate restructuring and rationalisation of that sector.

To encourage use of the local product a bounty will be paid to weavers of woollen and worsted fabric woven in New Zealand, at a rate of 25 per cent of factory selling price, reducing in stages and finally terminating in June 1984.

Most of the IDC's recommendations on assistance for wool-based products have been declined.

The IDC recommended establishment of a "woollen products export promotion committee with T & I, the sponsoring of a special programme of market intelligence and the incentive of a special market development grant (50 per cent higher than currently available)".

These were rejected, because "adequate Government assistance" in those areas was already provided.

But the Development Finance Corporation will be asked to give preferred consideration to assistance requests from producers of wool-based products.

Acknowledging that times were not easy for the textile industry, Adams-Schneider said: "This plan is an expression of the Government's committment to change, albeit in a cautious way".

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The week

Cash short as Air NZ gears for buying spree

by John Draper

PLANE-MAKERS Boeing and McDonnell Douglas are zeroing in on Air New Zealand for an order that the national carrier can barely afford.

Air New Zealand ideally wants a long-haul jumbo jet to reduce the number of weekly flights, twelve across the Pacific to and from Los Angeles, and so cut costs without diluting revenue.

But falling profits may make the airline's $200 million buying spree difficult to finance without a capital injection by the only shareholder – the Government.

Airline profits world wide are on the decline as fuel and wage bills rise while passengers and Governments demand lower fares.

Qantas, one of the few airlines to make money out of last year's DC10 grounding is expected to lose up to $30 million in the year to March.

Air New Zealand lost at least $10 million during the grounding. Interest charges and depreciation are already biting a $35 million chunk from the profit and loss account (without allowing for exchange losses from the devaluing dollar on loan repayments).

The airline is paying over an average of 8 per cent a year on its outstanding $130 million, long-term loans. Qantas fractionally less.

Usually the plane-makers offer prospective purchasers attractive financing packages beginning with a 10-15 per cent deposit from the time the order is confirmed through to final payment years after delivery.

Government guarantee – despite a re-equipment programme entirely by loans – may condemn the national carrier to years of paper losses through higher charges.

By normal public company standards, the airline is hopelessly overgeared. By state-owned airline standards Air New Zealand compares favourably with Qantas both with borrowings 2½ times share capital. They are a safer bet than Singapore Airlines with a ratio approaching 10:1.

Re-equipping with Boeing 747s at $50 million each and buying either the Boeing 767 or the European Airbus 310 for regional and domestic trunk services could add $20 million to the airline's interest bill and $12 million to depreciation charges and take the overall gearing to over 5:1.

The sums are not that simple.

As new aircraft are introduced into the fleet old ones will be sold and outstanding loans paid off.

Nearly $100 million has to be paid on the existing DC10 fleet by November 1986.

Ideally, the first to go would be the older DC10s, which would be approaching 10 years old and be almost fully written off in the books by then.

But the DC10, though still praised by pilots, passengers and existing operators is out of favour with other carriers after three crashes causing 600 deaths. Secondhand models may be hard to sell at prices Air New Zealand is willing to accept.

McDonnell Douglas, apparently eliminated from the contest, is using the financial lever to make a strong comeback. Douglas is offering to buy back Air New Zealand's existing DC10s on favourable terms and replace them with new models incorporating the latest fuel saving devices.

Boeing, which seemed set to win the order by default after Douglas cancelled the stretched DC10, favoured by Air New Zealand, is no longer certain of an order for its jumbo jets.

Both major plane-makers, their engine-builders and other major component manufacturers, are making their final bids for Air New Zealand to evaluate.

Pilots and air crews have been consulted by the airline on their reaction to flying Boeing 747s.

The long-haul package is the first part of the airline's re-equipment programme and will go some way to conditioning the second stage requirements.

Four hundred seat Boeing 747s will create the need for a regional aircraft capable of efficiently serving Australia and the Pacific Islands.

The existing Boeing 737s are payload restricted across the Tasman though their maker claims they are the most efficient jet aircraft for the domestic trunk route.

Air New Zealand's DC10's are long haul versions unsuited to Christchurch-Auckland hops.

Air New Zealand may chose, what it will do for the next few years anyway, to operate DC10s across the Tasman and Boeing 737s to Fiji, Tonga and Western Samoa. Capital constraints may dictate that replacement aircraft -- the choice between the Boeing 767 and the European Airbus 310 -- is delayed.

The airline has already consulted pilots on the possibility of flying the Boeing 767. The new aircraft size -- larger than the existing Boeing 737 and smaller than a DC10 – will test the airline's resolve to merge the two pilot groups.

An independent arbitrator is due to report next month on the seniority dispute between former National Airways domestic pilots and the long-haul international pilots from the pre-merger Air New Zealand.

The domestic pilots are demanding full integration while the international pilots want to exclusively man the big jets.

Law Society's lapse makes practising illegal

ABOUT 200 lawyers in the Wellington district are not legally entitled to practice – either because they haven't paid their annual practicing fees or because the District Law Society has not sent their names to the Supreme Court.

Technically, those barristers and solicitors are committing an offence under the provisions of the Law Practitioners Act 1955. Thus they are liable on summary conviction to a fine up to $100.

Ironically, only the president or the secretary of the District Law Society can lay the information in respect of the appropriate provision.

Because of its approach to the matter, in many cases, the DLS is the party at fault. It's hardly likely to bring prosecutions.

Legal sources say this same situation arises year after year.

One lawyer said there was always a core of solicitors who were appallingly slow at paying the fees . . . But once the money was paid over to the society, the matter was taken out of the lawyers' hands.

The society's view seems to be: "As long as the cheque is paid to us, it's all right".

Not so, says the Act.

Section 23 Reads: "(1) No barrister shall act as such unless he is the holder of a practising certificate as a barrister which is then in force."

It's the same with regard to solicitors, the section continues.

And section 23 (3) says: "Every person who acts in contravention of this section commits an offence . . ."

Practising certificates expire on January 31.

According to a Supreme Court official, by late last week certificates had been prepared for some 520 of the 700-odd lawyers in the Wellington area.

The bulk of those had been prepared only recently.

Apparently, the society waits for the cheques to build up, and when the list gets sufficiently large, sends the names along to the court for certificates to be prepared.

Kinleith strike hits fruit export crop

THE prolonged seven-week strike at New Zealand Forest Products' Kinleith plant has created shortages of packaging materials for exports of kiwifruit, apples and pears.

Kiwifruit exports begin on May 1 and it is understood the kiwifruit Authority is concerned that there will not be enough trays to handle the export crop.

The Apple and Pear Board orders apple boxes long in advance of the season but shortages could effect exports of the late Granny Smith apples.

Packaging companies such as UEB Industries and AMI are expected to meet with fruit exporters this week to discuss the shortages

Kiwifruit exports this year are expected to be about the same level as last year, four million trays worth (last year) $35 to $40 million

About half this fruit was to go out in wooden trays the rest in cardboard trays. Kinleith makes the cardboard and supplies the kiln-dried material for wooden trays

Kinleith makes the cardboard and supplies the kiln-dried material for wooden trays

Major supplier UEB put enough cardboard aside to make 300,000 cardboard trays but probably will be asked for one million trays.

You don't close your eyes when you drive a car... so why should you when you buy one?

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Compact, low fuel consumption... a great economy car.

But is there enough room? And enough power?

It's hard to find a finer, more economical 5-passenger car than Toyota Starlet. Partly because it is so large inside compared to its outer dimensions. The cabin is 1,700mm long and 1,270mm wide, that's lots of room.

Utility wasn't slighted either. There's lots of room ordinarily, and when an extraordinary load has to be carried, the rear seatbacks fold down for up to 630 litres* of carrying space.

The Starlet shows truly efficient use of space – just part of its overall economy.

Starlet is at home on the highway too. It accelerates 0 to 100 km/h in 16 seconds with its 1,000cc engine. As for passing, Starlet surges from 100 km/h to 120 km/h in just 14.0 seconds in 4th gear. And its top speed of 140 km/h is surprising, to say the least.

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Fuel consumption
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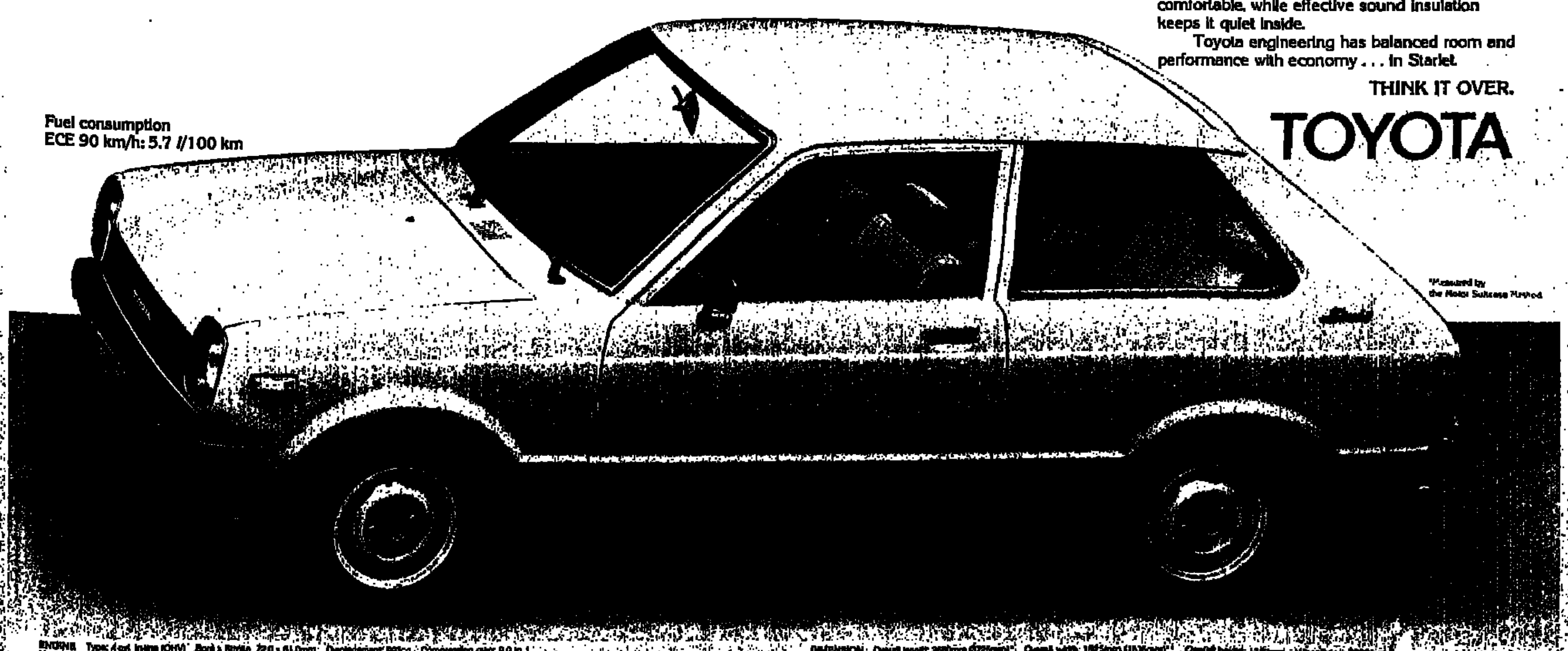

Comment

Editorial

THE Government has taken a bold and laudatory step in adopting most of the major recommendations of the Industries Development Commission for overhauling the textiles industry. Despite the implicit and daunting political problems of dismantling the industry and dislocating a significant number of workers, the Government has shown an uncharacteristic resolve to get to grips with an issue that has fundamental implications for the direction which the country's economic restructuring will take.

The Government previously has resisted the advice of so-called academic economists at home and foreign agencies like GATT, the IMF, the World Bank and so on, which called for an end to hothouse protectionism and advised that we expose our industries to overseas competition to stimulate efficiency.

Our international image has appeared decidedly two-faced as a consequence. Ministers have condemned the agricultural protectionism of other countries while maintaining one of the world's most highly-protected industrial structures. After long consideration of the IDC's first major report of its type, the Government has capitulated, taking a positive step towards reshaping the economy.

The way in which the IDC did its job no doubt contributed to Government acceptance of its ideas. The IDC plan was mild, in comparison with that presented by Australia's Industries Assistance Commission. The Australian Government rejected the IAC's recommendations as too strong a dose of medicine. Here, the reforms were accepted, an endorsement of the more gentle approach.

Simply, the Government has called on the textile and clothing industry to foster efficient operations and to abandon areas in which it cannot compete. These objectives will be achieved through reductions in the level of protective tarriffs and import licences. The Government has accepted that an industry exposed to competition will be forced to concentrate on activities in which it can compete internationally. Wool processing (using domestic raw material) is encouraged; synthetics and those fibres and fabrics that can be imported more cheaply are discouraged.

A gradual increase in the level of imports will force local manufacturers to first identify and then concentrate on areas where New Zealand has a comparative advantage.

The aim is to rectify some of the distortions in labour and capital flows brought about by import licensing. Export industries are now less profitable than those producing for the domestic market. Some sections of the industry have been disadvantaged by the protection of other sections. Protected manufacturers force others to pay high prices for their inputs. Similarly in the electronics industry, protectionist policies force electronics manufacturers to use local solder said to be of poor quality and costing Pye Electronics $100,000 a year in reworking. Every TV receiver exported earns New Zealand foreign exchange, but the labour content of the solder is only about 10c a set.

There is concern, naturally, that the textile industry is a major employer of labour, providing jobs for people who may find difficulties securing work elsewhere. This particularly must affect workers in areas where there are few job opportunities — at least, at present. But the cost of protection in maintaining jobs is said to be $6800 per employee in clothing and textiles each year — almost like paying them the dole. Using educated New Zealanders to hem up towels is surely a waste of labour. Redeployment will mean these people are being pushed out of jobs where their abilities are of dubious value to form a pool of labour which must appeal to new manufacturing ventures.

This is a move towards the international division of labour, which lets each country do what it does best. And it is certainly a step in the right direction for our trading relationship with the Asean countries. It will encourage more reciprocal trade — which they want — and provide them with the money they need to import from here.

The benefits to the local consumer by bringing in cheaper imports have been calculated at $1[illegible] per household per year.

But restructuring isn't likely to stop with clothing and textiles. Reports on wine, packaging and plastics are due by June 30. And the footwear industry seems susceptible to the same sort of treatment proposed for clothing and textiles. Thus the IDC report and Government action have set a precedent that should be watched with interest by all businessmen.

Bob Edlin

Without word of a lie

PR people getting to the bottom of things

WE don't know in what circumstances PR men think their handouts will make a big splash on the front page. But Consultus no doubt had high hopes for a recent item it sent to our office complete with illustration.

The picture showed a toilet bowl that was different from other toilet bowls because of the tubing that ran into and across it and the nozzle strategically sited "to eject a washing spray to the appropriate body region", as the PR prose delicately put it.

The product, an Adapta-bidet produced by J and A Douglas Limited, of Wellington, enables an ordinary household toilet bowl to double for use as a bidet, you see, and the unit — based on an American idea — has a patent pending here.

That spray which hits the nether regions is ejected after the chrome-plated tube with nozzle is swung out from beneath the toilet seat. And when you've finished and "the toilet is required for its traditional purposes" . . . simple. Just swing the tube and nozzle out of the way.

The cost? About $200 for the unit and fittings, including mixer valve and taps, and up to about $500 for installation, including mandatory hot-water cylinder.

And except for the *Plumbers' Journal* and this item, we suspect not too many publications will be sharing with you news of this boon to modern hygiene.

Giving the drivers a clobbering

THOSE who suspect that trade unionists won't be satisfied till they've taken the shirts from employers' backs might be right.

Rob Campbell indicated the other day he would like to spruce up the image of the lads in the Drivers Union by getting them out of jeans and cloth caps and into more elegant clobber.

His ideas emerged in chit-chat with a journalist who was waiting in the same queue at Christchurch Airport (where the ubiquitous Campbell had been pushing the cause of weekends off on behalf of the brothers and sisters in the Shop Workers Union).

Our journalist friend spotted that Campbell was neatly mockered in a Pierre Cardin shirt, and was crass enough to suggest it was a bit on the posh side for a chap who the PM alleges belongs at the more crimson end of the left-right spectrum.

Not so, Campbell retorted — and after the next drivers' award talks, Pierre Cardin would be standard issue for all members with the cleaning bills thrown in for good measure.

"We are sick of our blue-jeans image," Campbell warned.

Brockie's view

The road back for transport advisers?

CONJECTURE about Colin McLachlan's future reminds us that his immediate past has brought some cheer to the transport industry. He has been talking about road user charges. . .

It will be recalled that, in 1975, the National Party's election manifesto promised to re-establish a Transport Advisory Council "as the principal advisor to Government on transport matters". The reconstituted council was to be "responsible for advising on transport co-ordination and will be given a limited decision-making role".

But at one stage, several months and some important Government decisions went by before the council was called together under McLachlan's chairmanship. And a disenchanted member publicly said the situation was "appalling".

One council meeting held on the eve of the budget in 1977, was the first for almost a year at a time when a wide-ranging review of transport was common knowledge.

But McLachlan went a long way to a Transport Advisory Council meeting the other day — to Adelaide, in fact, for a gathering of the Australian council. Our road user charges were among subjects discussed — and transport operators here hope the subject is given an ample good airing on the home front when the Minister returns.

Ms-directed note of thanks

THE day before TV One disappeared, director-general Allan Morris was gracious enough to send letters of thanks to staff members.

The letter to Mike Valentine, we are told by Avalon sources, was addressed to Ms Valentine. And Doug Eckhoff's name was mis-spelled.

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Comment

Personal viewpoint

by Gray Mathias

NEEDLESS shackles on business development are thwarting exports. The common purpose and drive that has worked so well in export development ought surely to be applied to the internal efficiency of government and business operations as well.

An exporter's daily task involves the generation of overseas funds, and while the welfare of his own organisation is often in the minds of employees, he is generating overseas funds to help our balance-of-payments problem.

But all too often, blatant disregard is shown for our national interest. Industrial disputes daily erode millions from our export earnings. It is a pity, after many years of activity, that management and workers have not laid some ground rules to prevent damage to the national interest. All too often personal pride and considerations are allowed to proceed beyond reason.

If the same effort that has been applied to our export drive could be applied to cleaning up our domestic situations, we would be far better off.

Trading philosophies are far from consistent. Producer boards for example, maintain Conference Shipping arrangements negotiated under terms laid down in the 1930s. Often the cost to the country for moving produce to the marketplace can be halved when rates are based on current world trends. I have yet to see an example of a quoted rate being higher than those under a Conference contract.

Again, some producers persist with the single seller theory, which is totally inconsistent with our Government's attitude to international oil companies.

Recently, Energy Minister Bill Birch, indicated that 51 per cent of our oil is coming from Saudi Arabia. Saudi Arabia is offering oil direct to New Zealand, obviously bypassing the international organisations. But the Government persists in restricting our dealings to these companies — Shell, BP, Exxon, and so on. Surely even a small percentage of saving would be to our national benefit?

Huge volumes of overseas funds are used to develop and maintain our international flag carriers, Air New Zealand and the Shipping Corporation. Yet both of these organisations have poor management/worker relations, which are unweildy and uneconomic when related to international competition.

Air New Zealand's management and staff have contributed dramatically to the erosion of overseas earnings and the airline has failed to provide any significant service to exporters of perishable products.

Like Air New Zealand, the Shipping Corporation is over-staffed and already unwieldy, and is failing to provide any service that significantly benefits exporters. An early move was to join the Conference and thus place itself in the market on the same basis as its recognised overseas competitors.

The involvement of Government, quasi-government and producer organisations in trading and their provision of services has reduced competition in the New Zealand market place, and destroyed our relationship to international commodity values. By virtue of our geographic location and the miniscule size of our immediate market, it is rapidly marking New Zealand uncompetitive in every sense of the word. For example, international airlines and shipping companies can include New Zealand within their framework and provide correspondingly lower service charges.

The efforts of the Meat Board to influence and control the marketing of our lamb in Britain — our traditional market — has led to a confused situation and built considerable distrust between buyers and sellers. If our trading in that area had been allowed to run its course, and had the accepted supply and demand situation been left undisturbed, this may never have happened. It is little wonder that New Zealand meat exporters and British buyers are apprehensive when the threat of Meat Board intervention intrudes on prudent marketing decisions. In this case, the functions of the Meat Board are perhaps expanding well beyond the control of orderly shipping and the operation of successful promotion programmes.

The question of productivity is continually raised. We have more of an attitude problem than a productivity problem. On one hand we have every wage and salary earner seeing less value for his dollar. But the value we had a few years ago was a little too high, and at that time we did not appreciate the true situation.

Particularly in the freezing industry we have criticism of the rate of productivity, but very little of this is warranted. Both the freezing companies and the freezing workers have been severely restricted by increased hygiene standards laid down by overseas authorities. Unfortunately our own authorities saw fit to bow deeply to these pressures and, sadly, our Ministry of Agriculture and Fisheries inspectors have become policemen for overseas regulations. They often seem to lose sight of their own New Zealand identity, and in many cases regulations have been created and enforced that have absolutely no significance outside the country.

In the development of the fishing industry, particularly in the relationship of overseas joint ventures, considerable emphasis is placed on the benefit to our national interest. This attitude by the Government is to be commended, and hopefully in the future development of our export and domestic industries this consideration can be as important as any other.

It is unfortunate that our industry and trade has become so influenced by regulations, financing and licensing problems that the national benefit is neglected.

At the very least, a situation has been created that erodes our overseas fund levels.

Gray Mathias has spent his working life in international trade, mostly in meat exporting business. He has been trained in England and New Zealand trading companies, at one stage was seconded to the Meat Board in Tokyo, and in 1974 formed Mathias Meats Limited.

Methanol burns while barrow-pushers rage

by Brett Ambler

THE debate over who holds the purse strings for the proposed methanol scheme will be remembered for the way in which industrialists, oilmen, service organisations and journalists took up a press battle in a classic argument on private enterprise versus the state.

It will not be recorded as an informed debate, but rather as often hysterical attempts to peddle arguments of little relevance to a world which is becoming critically short of finite resources.

Indeed no producing government can today permit any individual, or group of individuals, to dictate the future of its resources. Throughout the world the state, through its agencies, is reserving an increasing stake in all exploitation. For this reason, the BP/Petrocorp row is a "straw man".

If the "experts" who seem to be constantly in print on the methanol subject were to take time to check with both BP and Petrocorp, they would be told that a stake of about 10 per cent has been created for the state (Petrocorp) in both schemes.

They would see the discussion centres on the production and marketing of extra tonnage in the 2000 a day BP scheme.

So where is the nasty state/private enterprise issue?

What is important is the ability to firm-up a consortium package that can confidently and quickly produce and market chemical methanol, for clearly defined local and export markets at a price which is competitive and profitable.

The key to any methanol proposition is moving at the right time. The world methanol situation changes almost by the month as oil and chemical companies plan developments for the changing fortunes of the 1980s.

It is clear markets can be found in the "Pacific rim" in the next few years, with dollars to be made by those who can move swiftly enough to have economic plans on-stream within that time.

New Zealand private and state enterprise could have been making those dollars right now, if the interested parties had not procrastinated when the first proposal was laid before them three years ago. Instead we have agonised into the 1980s with industrialists, Chambers of Commerce, mother-of-ten and political journalists becoming self appointed experts. They're all making such a good job of it that once again the situation is showing signs of becoming entrenched.

It is not helped by the fact that we still have not been told how the Government intends to use methanol as a substitute for imports. A key point in the proposition BP has put up at great expense, centres on the supply of 800 tonnes a day, for a raft of applications, including methanol as an extender for petrol and diesel. A report from the Liquid Fuels Trust Board on such application is still awaited.

Yet in some ways the indecision over the local use of methanol (for other than traditional purposes) is a blessing in disguise when evaluating the propositions before the Government. A thorough analysis of information privately and publicly available on the export issue shows the reported "conflicting proposals" to be extremely similar.

Features of both proposals are:

- Dependency on the same (ICI) technology;
- Significant local shareholding and control of production and marketing;
- Marketing potential in the Pacific rim;
- Associated bounty from extra draw-off of LPG and oil condensate;
- Maximum New Zealand component for construction and labour; and
- Regional and national opportunities.

What then is required now is the formation of a New Zealand/multi-national package to get cracking producing for a thoroughly proven market within three years.

Whether that market involves the use in New Zealand of 800 tonnes a day (and so the BP scheme) in order to achieve the alleged economies of scale, must be calculated against the more modest plans to provide for the 1200 tonne/day (Petrocorp scheme) export market only.

Whatever happens, New Zealand cannot permit the affair to continue to be shrouded in indecision, fantasy, secrecy and procrastination.

Brett Ambler is an energy commentator.

Letters

Trading hours issue

IT IS with regret that I must again take issue with the thoroughly biased reporting of Warren Berryman on the question of shop trading hours (*NBR* January 28). Your correspondent is simply ill-informed.

I have no idea who gave him the information he purports to use about Wainuiomata. If he cares to check the records he will find that some, admittedly minor, area exemptions have been granted.

The area concept is very broad, and some quite sophisticated legal arguments have taken place around it. There are a large number of "areas" in the country which already have Saturday trading, and the area concept has been used to formalise some of these situations, as well as to deal with some of the specifically legal problems of market operations.

Opinion surveys on their own cannot constitute full proof of public demand, and of course public demand is by no means an automatic access to Saturday opening under the legislation.

When the Wainuiomata Merchants Association applied for Saturday trading they did conduct a survey. A smaller, admittedly less sophisticated survey was also conducted by the Shop Employees Union. In the proceedings on the Wainuiomata case a leading sociologist, Dr Allan Levett, gave evidence which threw some considerable doubt on the validity of the survey used by the Merchants Association. An informed correspondent would have told your readers of this fact.

Berryman states that "its reference to the catastrophic effect on city retailers was not a consideration included in the Commissions jurisdiction as laid down in the Act."

In fact under Clause 20(6)(f) "the interests of the occupiers of other shops" is a consideration to which the Commission must have regard. Counsel for many applicants have accepted that this can include the rights of other retailers in nearby areas.

They have played a major role in a number of hearings, in particular in Howickville. In addition to this sub-paragraph (e) requires the Commission to have regard to "the stability, and orderly economic planning and development of any wider area".

I am certain that those who are the main advocates of Saturday trading are enjoying Mr Berrymans tirades in your paper. However they are not in any way contributing to the public debate.

Rob Campbell
Industrial Officer
NZ Shop Employees' Industrial Association of Workers

Whirinaki: not a choice

OLIVER Riddell's review of conservation issues (*NBR Outlook*, December 17) falsely portrays the Whirinaki forest issue as a choice between saving a native forest and "destroying" the Minginui community.

Minginui is unlike many other communities based on the exploitation of native forest in that a large exotic plantation has been developed locally to provide the future timber supply.

Substitution of the present cut with exotic logs will begin next year and by 1985 the exotic supply will exceed the present cut. During the substitution period partially exploited native forest outside the area proposed for reservation and containing a gross sawlog volume of 382,000 cubic metres is available for logging.

Already more than half of the employment at Minginui is based on planting and tending of exotic plantations, deer capture, possum trapping and other activities unrelated to the logging of native forest.

S Gwennifer Davis
National President
Native Forest Action Council

Rail economy pros and cons

I FEEL your Transport Writer is misguided in his belief that the solution to the problem of inherently uneconomic rail passenger services lies in a recognition of their social value and funding through a grant system. (*NBR*, December 17). The evidence suggests the social value of these services is not accepted by those who matter.

Support is accepted to correct balance sheet losses for:

(a) Wellington Suburban Services – where losses are less than the alternative of motorway construction and maintenance, etc.

(b) Geographical necessity – for example, West Coast and Wairarapa.

I am sceptical as to whether the social obligation of maintaining the remnants of a long distance passenger service is accepted for other than reasons of current political inquiry. It is certain a loss of $19.2 million cannot be justified because, with a few exceptions, rail cannot provide a significantly faster service than buses.

Rail today is essentially an intermediate mode of transport suitable for fast, frequent inter-city journeys. The fact that eight D.A's (standard NZR locomotives) consume as much fuel as a single bus appears to cripple any change of development in New Zealand.

The fact is irrelevant – few rail services in the western world would survive if the same criterion was applied.

Trainloads of 500 people are not going to happen in New Zealand – but do we ask for a jumbo's capacity before providing an internal air service?

Inter-city passenger services are profitable in many nations. European Systems make losses because of the burden of supporting the losses on numerous suburban services. In the United States Amtrak is burdened with absolute equipment: the non-co-operation and appalling track maintenance of many private railways and excessive manning requirements.

Losses on NZR services have little to do with social cost. In fact it is the cost of:

(1) Using worn-out, obsolete and inappropriate equipment. Labour intensive trains hauled by fuel guzzling locomotives are too expensive to operate and too slow to be realistically priced. As a last ditch measure to maintain services locomotives haul crapped out railcars. This raises cost in every area-fuel consumption is only the most blatant. Between Gisborne and Napier a DA uses 236.73 gallons more on every return trip than an 88-seater railcar and 350 trips a year. It means 88,855 extra gallons a year.

(2) There is the cost of the general failure to understand the role rail should be playing. It is a distinct mode – not an overgrown bus.

(3) The cost of administration and decision-making by a headless monster, slow and hopelessly unco-ordinated.

Fast inter-city services have long been possible in New Zealand. Modern railcars of 50/120-seat capacity could provide shuttle services with the advantage of city-centre to city-centre service compared with the farm-to-farm service of airlines.

Without exceeding 70 mph – it would be possible to link Christchurch – Timaru – Dunedin (4.30), Dunedin – Gore – Invercargill (2.45), Wellington – Palmerston North – Napier (4.30), Auckland – Hamilton – Tauranga (3.05), Auckland – Hamilton – Tauranga (3.30).

The railcars for lower operating costs and ability to incorporate higher speed makes possible a viable operation in a nation of New Zealand's population distribution. Higher utilisation and a better service is therefore possible.

Today we should be weighing up the social benefits and costs of an intended transport system based on air services dependant on massive fuel consumption which is likely to continue to be subject to skyrocketing prices. When the conveniently forgotten costs of airport construction, maintenance, safety and air traffic control are taken into account it is obvious that internal air services would be regarded as inherently uneconomic, if not anachronistic if the logic and accounting applied to rail services was applied to them.

R F F Miles
Unemployed Graduate
Timaru

Politics

Bureaucrats, spinning wheels and tangled skeins

by Colin James

JUST who is running the show anyway?

There's George Chapman saying he'll stick around for the 1981 election and adding, on private radio, that there was now a strong group of MPs and ministers carrying the party principles banner.

And there's his best mate, the Prime Minister, to whom he has just pledged his organisation's loyalty for the great battle in 1981, telling us that Petrocorp, symbol of state bureaucracy, is ahead of BP on points in the race for the methanol plant.

Everybody knows that politics is the art of the hypocritically possible. But isn't this Petrocorp gag taking things a bit far?

It would be if blacks were blacks and whites were whites. But, as usual in politics, things are not quite what they seem.

It is possible to construct a rational explanation.

Let us start with the proposition that, despite many brave and some rash words about making sure the Petrocorp bureaucrats do not get their hands on Maui gas, it has never been seen within the Cabinet as completely beyond the pale.

I quote at length from Energy Minister Bill Birch, one of the most pro-private sector ministers, in an interview last year (*NBR*, September 5):

"It is likely that Petrocorp will have a say in all of the slices of action.

"The Government, dealing with a resource like Maui, needs to be on the inside of the operation, particularly involving multinational companies, overseas companies for marketing reasons, and so on.

"The Government would want to be involved, to be part of the decision-making process on prices, production and so on. Petrocorp will be playing that role for the Government.

"In addition, it may be involved as an operator and a company in its own right, if we can't get satisfactory private sector substitution."

He defined Petrocorp's role "primarily as a catalyst and in some cases it will be the group that the Government will turn to for initial implementation – and I stress initial – because it's a matter of great urgency that we get on with the task.

"Obviously something that Petrocorp will be able to do is to bring together packages and start construction and letting contracts and so on, some of the decisions as to operation and final ownership being decided while the thing is being built."

This is consistent with Birch's comment last Wednesday that Petrocorp would be in on the deal somewhere, but very much as a minority interest in a private sector operation.

It is political realism. The MP who boldly declared to followers his opposition to the involvement of Petrocorp missed the point of the ideological debate as it has evolved over the past six months or so.

As one of the toughest of the backbenchers, Geoff Thompson, put it last year (*NBR*, November 5) in the context of the price-fixing Commerce Amendment Act, apparent anathema to the anti-state-involvement party mood:

"Pure philosophy must be tempered by political practicality."

In other words: purity of principles is one thing; invariably putting them into practice is another.

Ho, ho, ho, we've heard it all before. One by one, those brave souls of the 1960s went the same way, practicality eventually getting the better of principle — to the point where their star performer, the Prime Minister, could be accused of socialism in 1978.

Bill Birch . . . pro-private sector.

Is that what is happening now?

Well, no, not really (or at least, not yet).

What has happened is that, since the heady days of the destruction of the Post Office courier service a little under a year ago, the criterion has shifted.

It is not: does this or that decision put into practice the party's private enterprise, individual initiative principle?

It is: in making this or that decision, has the Government tested the options against the party's principles?

The methanol decision, as it appeared to be shaping last week, was tested against those principles.

Men like Birch, Warren Cooper, Derek Quigley and Barry Brill are no natural friends of Petrocorp, which at times last year was treated in somewhat cavalier fashion — because it was run by bureaucrats and therefore did not fit the party philosophy.

Another example: the decisions announced last week on the textile industry.

Backbenchers I spoke to were delighted with the tenor of the decisions: the throwing of the most hopeless bits to the wolves; the relaxation of licences and opening up of intermediate processing units to competition, though with a high tariff wall; the temporary bounty to boost the indigenously-based wool-type section of the industry.

Of course, it is not a model competitive private enterprise solution and, of course, the Government is still to be heavily involved.

But it is a step in what the guardians of the party's principles — which includes those informal MP-party networks set up at the conference last year — consider the right direction.

It is another small step down the new path signposted in last year's Budget. It suggests that more small steps are likely to be taken as other industries come up for decision later in the year.

The principle is the economic one of a degree of international competitiveness and not the social one of job maintenance.

Two other examples:

- A pro-competition recommendation is likely from the caucus (the parliamentary party) on town milk supply;
- Some, mostly younger, ministers are starting to look searchingly at their departments' organisation and activities, to see where money can be saved or better spent.

Readers have probably seen enough from me on Quigley, whose thoughts and actions on the organisations under his control have been well-publicised — most recently concerning vehicle warrants of fitness and Post Office and Housing Corporation house loan activities.

So I shall cite instead Justice Minister Jim McLay, who, with his departmental head, John Robertson, has been critically examining what his department does.

He is proposing to end, hive off or modify a string of functions. Among them court registration of moneylenders, auctioneers, stock exchange members, solicitors, pawnbrokers, newspapers and printers.

McLay's swapping of the sinking lid broadsword of the 1975-78 Government for the scalpel represents a new approach by a new breed of minister.

As one backbencher said of the textile decisions, "they could not have been taken a year ago."

An indication that he was right was the near-apologetic nature of old guard Lance Adams-Schneider's press statement on the package – bending over backwards to assure those affected that their views had been carefully considered, that the Government move was "cautious" and that protection remained high.

Things have not always been going the new breed's way. Parochial interests cut across the party grain last November to give the Auckland City Council abattoir the right to auction stock.

But it is enough to encourage Chapman to say that the party's back-to-basics views are being heeded — and now even by the Prime Minister himself, who has been increasingly spouting the rhetoric of his back benchers.

I understand that the Prime Minister has become more accommodating about the role of the party and that at this month's executive meeting his tone was conciliatory, in contrast with last year's tense affairs.

With the "join-em" shift has come on the one hand a softening of hostility among his party critics and on the other a new assertiveness on his part. In the past couple of months he has looked more like the man of 1975-78, as the *NBR* Heylen pool rise reflected last week.

It was perhaps his reascendency that provoked the hysteria about Petrocorp among private enterprisers fearful of the old "socialist" stance. (Though they may have had a point. There were some blunt words in the caucus, which suggests that bits of the unreconstructed Prime Minister may have been showing).

So, in the words of an apposite Americanism, the National Party is showing signs of getting its act together.

Given the party's legendary ability to paper over cracks, this should be no surprise.

But it raises questions of just how much influence the Prime Minister will be able to apply to such matters as the deputy leadership and the composition of the Cabinet.

There is a long way to go yet this year.

Investment

Court hearing precipitates $50 million decision

by Warren Berryman

SECURITIBANK liquidator Harold Goodman will decide by March 18 whether to join or take over the $50 million civil action against Securitibank directors and shareholders.

The action was initiated by the Auckland Paraplegic and Physically Disabled Society which is working closely with the Securitibank investors consortium.

On March 18 the shareholder defendants, including the two Government-owned insurance offices, will ask the court for security for legal costs from the paraplegics.

The court hearing will consider also the question of the paraplegics bringing a representative action on behalf of all Securitibank creditors.

Security of costs is the crunch issue. The consortium's funds are all but exhausted. Legal costs, win or lose, probably would total at least $500,000 if the case went only as far as the Supreme Court.

The consortium has been pressing the liquidator to join or take over the paraplegic's action and pay legal costs from creditors' funds.

If the liquidator joins or takes over the action, the security of costs question and the matter of a single action representing all creditors becomes a non-issue.

If he doesn't and the court demands security of costs from the paraplegics, there seems no way they could come up with the money. Three years of work would go down the drain along with much of the consortium's credibility and all its money levied from creditors.

But if the action went ahead without security for costs and the shareholders won the case, they could be $500,000 or so out of pocket for a case they successfully defended.

Goodman is in something of a cleft stick. He was elected liquidator by a majority of creditors led by the consortium. At that meeting, creditors voted overwhelmingly in favour of a resolution that the liquidator be directed to take *over or join the paraplegic's* action.

If the consortium is not informed soon that the liquidator intends taking over the action, it has enough creditor votes to call for another creditors' meeting and perhaps win enough support to force Goodman's hand.

Goodman as liquidator, must act in the interests of all creditors — not just the consortium. He must be sure the odds of winning the $50 million action are favourable before risking a further $500,000 or so of creditors money in a legal battle.

To make the decision he needs all relevant information he can get.

He has been promised a copy of the Edgar-Henry 9A report by the Justice Department, but after three years this is still uncompleted.

Investigators, Chas Stun and Mike Watson are gathering information for Goodman under the direction of his senior legal counsel, Ted Thomas.

Thomas will recommend whether Goodman should go ahead with the action. Securitibank's committee of inspection will then be asked for their approval.

It is likely the consortium will be informed of Goodman's decision late this month, both to preclude the possibility of them calling another creditors meeting and to help them prepare for the March 1 court case.

The paraplegic's action seeks redress from the shareholders beyond the usual bounds of the limited liability concept. In most cases, a limited liability company and its shareholders are liable only up to the limits of the company's capital. Securitibank, said to have been trading at the $100 million level, had a capital of only $1 million.

The paraplegic's case, based on sections of the Insolvency Act and Companies Act, depends on proving that the shareholders knowingly and willingly allowed the company to solicit and/or take funds from the public when their company was unable to pay these debts on the due date.

The paraplegics allege that some major Securitibank shareholders met to discuss their company's insolvency in May of 1976 and then continued to accept millions of dollars from the public until the crash in December 1976.

It also alleges that these shareholders allowed their names to be used on Securitibank advertisements for funds thus giving Securitibank an image of security, reliability, and substance.

Homemaker magazine

A MONTHLY magazine aimed at homemakers who plan to improve or renovate their homes has been released in the Waikato. Called *Hometime* it will have a circulation of 42,000 distributed free to every home in principal Waikato towns.

As new home sales have fallen, buyers have opted for existing, older homes and stimulated a boom in home renovations which now, in Hamilton are equal in value to new home building permits.

Hometime is being produced by Liberty Marketing which already publishes Hamilton's *Weekender Magazine* and *Property Press*.

Economics

Economic puzzles trap an unwary public

Economics Correspondent

A READER – like most of us – is puzzled by the phenomenon of inflation and wonders why Ministers of Finance start with the proconception that our currency is worthless, then proceeds to aggravate matters "with all the powers at their command?"

When oil prices went up, bringing the danger of inflation, extra taxation was put on petrol to increase the danger of inflation still further and our reader asks:

"Why not take the following measures?"

• When import prices go up by, say, 20 per cent, why not increase the value of the New Zealand dollar by 20 per cent? Our export prices would go up by only 5 per cent, so there would need to be import controls to reduce our consumption – "but we will not be importing inflation."

• When import prices go up 20 per cent and export prices by 5 per cent, increase the value of the New Zealand dollar by 5 per cent. That would require no import controls, but would import some inflation.

"What our Finance Minister would do in these circumstances would be to devalue to New Zealand dollars by 10 per cent to ensure there was a lot of inflation," our reader says.

"In other words, if the Ministers of Finance were to be positive about our currency and act towards it being a hard currency, then after a short time it will become so. They need to think in the opposite directions.

Our reader also wants to know why we pay taxes? "I can see that in the past it was the only way for the Government to raise money, but it is not so today," he writes.

"The country produces a certain quantity of products each year and a certain quantity of services. The producers produce income but the services don't.

"At present both are taxed and we have taxes being raised to pay teachers, for instance, a salary which is then taxed. Taxes are being used to pay taxes . . . why have taxes? Why cannot the Government create enough money to provide services based on a proportion of the products of the country . . .?"

The simple answer to these questions is that politicians and their advisors do not know as much about how an economy works as they like to have the public think.

Government ministers are in a position to educate the public about the complexity of the economy and the trade-offs involved in making policy. But they prefer to take advantage of the public's ignorance of economics to present an over-simple view of how things work, creating myths to justify decisions that are taken.

Most people find it difficult to admit ignorance. And the public seems to prefer to be baffled by economic arguments even when they do not make logical sense. Unmerited faith is placed in our leaders to use economic tools properly.

But it takes very little economics training to see that the Government often involves itself in logical inconsistencies.

A favourite justification for just about every government policy is that it will cure, or at least control, inflation. Measures from wage control and devaluation to the lifting of price controls have been vetted as ways of slowing down the rate of price increases.

But the description of the problem of inflation is not as simple as it is often presented. It is usually implied that the objective of controlling inflation is to keep all prices stable, but the politically minded government minister is mainly interested in what is happening to consumer prices.

Most of those electing the Government to office are only directly affected by rises in prices on consumer items. They monitor changes in the consumer price index to judge the Government's ability to control prices.

Rises in import prices, export prices, wages and salaries or any other prices only influence the consumer price index indirectly.

When the Government says it is trying to control oil prices, its interest in controlling inflation is probably a secondary objective. The first objective is to keep balance of payments deficit under control.

Extra taxation was put on petrol as a way of discouraging the consumption of petrol and in turn, the consumption of oil imports. Revaluing the New Zealand dollar would force the Government to introduce regulations to control the importation of oil, going against latest moves to reduce import controls.

Also, direct control of imports would make it difficult for our Government to ask for less protection when it comes to the products we export to other countries.

In the end, whether New Zealand has a soft currency or a hard currency is not directly determined by the Government's attitude towards devaluation of inflation. It depends on whether this country can *deliver the goods, and whether* there can be increases in the volume of output.

We cannot expect output to expand until the Government learns to set clear economic objectives and applies the available economic instruments to achieve them. While the Government continues to spend its time treating economics as a public relations exercise, it makes it more difficult to know which way the economy is heading.

Taxes are one reason governments have been able to survive, despite bad economic policy making. Because income taxes are paid on a progressive scale, wage inflation brings the Government revenue gains without it ever needing to be seen to raise taxes.

This effect of inflation on the progressive income tax scale is called fiscal drag.

As a result of fiscal drag, the Government has been able to increase its spending in real terms every year, without asking voters whether they want more public goods and services.

There are many other ways the Government could finance its activities; it could introduce a number of duties applied when financial transactions take place; it could run lotteries, it could create money, it could run profit making corporations, or it could even use its power to order goods without paying for them.

The choice of the best way to finance government activity depends on many things. It is by no means clear that taxation is the best way, but it is an easy way.

Overseas trade

Trans-Tasman links: long-term benefits obscure

by John Draper and Colin James

MONTHS of "scrubcutting" are over for officials on both sides of the Tasman who have been preparing for the Fraser-Muldoon Nafta summit next month.

This week departmental chiefs will meet in Canberra to find the most rewarding paths across the once-rugged hill country of the New Zealand Australia Free Trade Agreement.

Whichever way they go, they will sooner or later encounter an insurmountable barrier - the political fence.

When Nafta was born 15 years ago, the Australian and New Zealand economies were more in tune. But no longer.

During the 1970s Australia developed an industrial strategy tied to an international trade policy of importing when it is cheaper to do so and manufacturing when it is not.

Some Australian manufacturers were severely battered as tariffs against cheap South-east Asian imports dropped. The backlash wounded Nafta, specially New Zealand garment makers.

New Zealand's own industrial strategy is barely taking shape. There were signs of following the Australian lead in last year's Budget with provision for manufacturers to get import licences for components to be used in products primarily for export where the domestic alternative made the final product uncompetitive.

And the question for Prime Minister Rob Muldoon at the March summit is: Does New Zealand want to catch Australia up, with implications for domestic industrial strategy, or will it become the Australian "West Coast"?

Despite months of work by officials there are few hard figures to base any decision on. The short-term disadvantages are more easily quantifiable in terms of higher unemployment and the growth of Sydney as New Zealand's fourth-largest city.

The long-term benefits are harder to see.

NBR understands the Australian viewpoint is to allow New Zealand to choose what it wants to do. The Australians are becoming more interested in South-east Asia as a trading partner, though the Tasman neighbours are still each others largest customer for manufactured goods.

The Australian generosity will not make the New Zealand task any easier. Some options, a customs union for one, have already been dismissed as unsuitable and the common external tariff concept is not a favoured starter alone.

Attempts to quantify the effects of any option on New Zealand agriculture, industry and trade have been judged not worth the effort.

Lessons have been learned from such attempts preceding the formation of the European Economic Community.

What were expected to be winners have turned out to be losers, and vice-versa.

Thus, the thrust of the study, at least at the New Zealand end, has been qualitative, not quantitative: the considerations which must be weighed with each option.

Thus, the prime ministerial discussions next month may have an important bearing on the shape of this year's Budget.

This applies particularly if there is a move towards a common external tariff, thought in some quarters to be essential if a substantial freeing of trade is to be achieved.

Up to now free trade has concentrated on items in which the two countries are complementary.

The next step, so far shied at by both countries under Nafta, would logically be towards free trade in what would as a result become competitive industries in both countries – logically to be followed by a shakeout of the uncompetitive on whichever side of the Tasman they happen to be.

But manufacturers have objected that this should not occur unless they are competing on something like equal terms – in access to raw materials or components, for example.

This may seem a relatively simple problem – until the question of third countries is considered.

Agreeing a higher tariff on certain raw materials produced in Australia as the price of easier access to the Australian market may not only affect the competitiveness of the New Zealand product in Australia but also undermine its chances of success elsewhere.

The complexity of this issue is frightening.

Most politicians usually duck such questions.

But there are too many carrots and sticks for the New Zealand politicians to duck this time.

Australia is rapidly developing trade with its South-east Asian neighbours to the north – particularly the five countris in the Asean grouping (Association of South-east Asian Nations).

If Australia sees its opportunities there as greater than the prospects of trade expansion across the Tasman, it will be tempted to make trade concessions.

Scope for a closer trading arrangement in the future would thus be likely to be reduced.

This may prove, in fact, to be New Zealand's last chance for a good long while to get closer to Australian market.

On the other hand, there are opportunities for co-operation in marketing to third countries – particularly in primary products. In an industrialised world becoming increasingly beleagured by fast-developing Koreas and Taiwans and historically hostile to free trade in agricultural products, joining forces with Australia makes sense.

Australia forced the pace to begin with, wanting to clear up the New Zealand question before turning its attention elsewhere.

But, apparently, it has left it to New Zealand to open the bidding on just what sort of new relationship should be developed where on the spectrum from doing nothing to forming a customs union the new arrangement should fall.

Once that is done – and it is too early to say whether it will be done next month – there will no doubt be hard bargaining over detail.

The question facing the politicians has two principal elements, short-term costs and long-term benefits.

Officials in some departments, aware that they have to live with the "constituencies", have found it easier to concentrate on the first, which can be quantified to some extent, than the second, which are virtually unquantifiable.

Politicians, faced with an election in two years and another three years after that, normally would share this observation.

But some of the present Cabinet are more concerned with ideology than short-term electoral considerations. If an act of faith is required to reach a decision, it is more likely to come now than for some time past.

Paper costs pushing up newspaper prices?

NEWSPAPER publishers face ever-increasing costs for raw materials.

And they foresee no immediate improvement to a tight newsprint supply situation.

According to the Newspaper Publishers Association, Tasman Pulp and Paper is about seven to eight weeks behind with deliveries.

The Printing Ink Manufacturers Association (PIMA) predicts rises in the cost of printing inks of some 20 per cent.

According to PIMA: "The source of rapid escalation in raw material costs can be directly traced to the Opec price hikes of recent times. Almost all inkmaking raw materials are oil related directly or indirectly."

Current stock levels should tide the industry over for a few months, but then the increases will be felt.

Publishers have been struggling with increased labour costs, and film prices go up around 200 per cent in April.

It is not surprising there has been speculation that publishers may raise the cost of daily newspapers to around 20c.

There is also speculation that Tasman will force the issue over supply contracts to gain increases in the domestic price for newsprint.

Tasman says in its 1979 annual report: "Despite surcharges granted by the NPA in recent years, the newsprint price in New Zealand has neither kept pace with the CPI nor even with the cover price for newspapers".

The company is likely to pay even more for its raw materials. In 1955 the Forest Service signed a 25-year contract to supply Tasman with standing trees at $0.88 a cubic metre.

This price has been lifted since then to $1.06 a cubic metre. But it's still too low and the Forest Service could be asking a lot higher by the end of this year.

Some sources suggest the price could go as high as $11 a cubic metre.

The *New Zealand Herald's* agricultural correspondent recently reported that a 10,500 tonne shipment of radiata pine was due to leave Whangarei for Japan. The sale – thought to be among the first exported by farmers on their own account – was arranged through Fletchers as its agent.

The price – $11 a cubic metre – is expected to cause ripples around the country and could lead to an across-the-board rise in timber prices.

This must force the pace of negotiations between Tasman and the publishers.

But NPA executive director Michael Thompson said publishers were not currently involved in contract negotiations with Tasman. Nor was the subject on the agenda for the March annual meeting of the association.

Thompson said he had not heard of publishers who were thinking of putting up their newspaper costs. Such a move appeared unlikely, at this stage.

Independent Newspapers Limited group managing director Alan Burnet, noting the soaring cost increases facing the industry, said "to rule out the possibility of a price rise would be ludicrous".

He said there were "no immediate plans" to hike prices. But it would not surprise him if some publishers were talking of such a move. "What's not on today, could be on tomorrow".

INL would continue to fight the effects of inflation by looking at ways of containing costs, specially fuel costs, Burnet said. The group would also watch advertising rates carefully.

Liquor industry

Paternalistic push for higher liquor prices

by Warren Berryman

THE childlike New Zealand citizen is thought to be out to destroy himself with booze – unless the paternalistic state saves him from himself.

And the means of saving him? Pricing liquor beyond the consumer's reach with additional tax and then conning the public into believing this added tax burden had no effect on the cost of living by removing liquor from the consumer price index so it won't show up in inflation statistics, the citizen can be saved.

These assumptions and solutions to the "liquor problem" are suggested by the Alcoholic Liquor Advisory Council (ALEC).

ALEC has been lobbying Parliamentarians with a booklet produced by research officer Jane Von Dadelszen.

Liquor interests fear ALEC's arguments might be welcomed by a tax-hungry Government anxious to reduce the deficit needed to keep Government expenditure at half this country's Gross National Product.

These interests are formulating arguments of their own.

Von Dadelszen's 15-page study, distributed among Parliamentarians and other "interested parties", is a cursory look at "solutions" to liquor problems around the world – prohibition, restrictions on advertising, regulated closing hours, and so on.

Throughout the study is the underlying assumption that ordinary mortals know not their own best interests, and left to their own devices, will self-destruct on alcohol.

There is an unstated assumption that the Government has some sort of superior rationality and temperance to protect us from ourselves.

But liquor interests are taking Von Dadelszen's proposals seriously and are fielding lobbying teams of their own. (Which must further ALEC's cause: lobbying expenses will find their way into the retail price of liquor).

Von Dadelszen has noted that governments have for centuries taxed liquor as a lucrative source of revenue. Thus the price of liquor is influenced by taxation rather than production costs.

The effect of price on consumption has been investigated more thoroughly than any aspect of consumption, she said.

Insisting that consumption is affected by price, Von Dadelszen mentions anomalous cases where liquor has not been price-elastic (such as in Ireland, where increased prices did not curb beer consumption, or in France, where wine consumption was similarly unaffected).

Von Dadelszen mentioned the possibility of increased liquor prices causing the poor to cut back on expenditure on essentials, rather than take a cut in the liquor bill.

She acknowledged that steep price increases might lead to the use of drugs, smuggling or home brew to avoid high taxes on alcohol.

But she concluded that booze prices should be indexed to the average income and suggested that increased prices through increased taxation could be made more politically palatable by removing alcohol from the CPI.

This would preclude workers from asking for higher wages to pay the increased price of liquor, she suggested.

The Statistics Department, which produces the CPI basket of consumer goods, is working on a new basket to be completed this year.

It is understood Statistics has been asked on more than one occasion to drop this or that item from the CPI basket. In most cases those items have been subject to price increases by indirect taxation.

But, it is also understood that Statistics has resisted such requests to manipulate the CPI basket to dissuade the public from believing that inflation has not been effected by these measures.

Statistics has been made aware of ALEC's proposal to tinker with the CPI basket. Informed sources say the idea found scant favour with the department.

And ALAC chairman Sir Leonard Thornton has said he thought the idea "impracticable."

That brings the argument back to the question of raising liquor prices as a means to control consumption.

Lion Breweries Spokesman Des Fitzgerald said he felt pricing had some effect on consumption, but was only one factor.

Beer consumption was down 10 per cent over the past three years – down 4 per cent last year – and was expected to be down a further 4 per cent this March year, he said. This could have as much to do with New Zealand's changing drinking patterns and means of taxing different alcoholic beverages as it did with price for liquor in general.

Fitzgerald pointed out that, the cost for raw alcohol was only $8.97 a litre if one bought cheap sherry, $14 a litre with cider, $31 a litre with bulk table wine, $70 a litre with Scotch, and $30 a litre if bought in jugs of beer.

Beer, was loosing out to cheap wine in the taxation stakes, Fitzgerald said.

He said he doubted higher prices would curb consumption in the population at large. It might have a slight effect among the poorer classes he said.

Already pubs in working class areas were doing less business as evidenced by those pubs coming into Lion's overdue debtors lists recently, he said.

"We're not worried about ALEC. But are they acting in the right role? They were not set up with the drinkers' money to enforce prohibition. How much more moderate would they have us become?" Fitzgerald asked.

New Zealand Wine and Spirits Ltd managing director Doug Myers said of ALEC's proposal: "I dislike the paternalistic attitude behind this sort of socialistic unrealism. Unless we relieve the strains of modern life people will continue to drink."

Myers said he doubted that liquor was price elastic, that increased prices would lead to home brew as it did in Scandinavia, and that price increases would just mean that the poor would cut back on essentials.

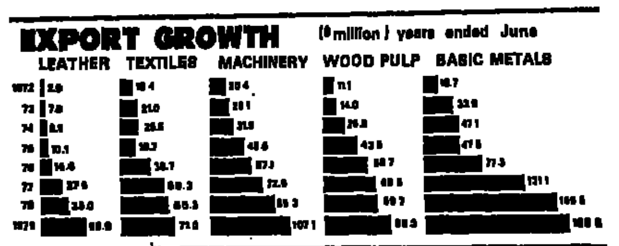
Government was screwing down the liquor industry with price control and increasing the price of liquor with tax, Myers said.

There is a school that holds that in times of economic uncertainty, when man feels he cannot determine his future by rational decision-making, he will turn to mysticism, religion, gambling, and liquor.

Had Von Dadelszen chosen this theory, its attractiveness to Government may have been less.

Report wavers 'twixt realism and optimism

PETER V O'BRIEN comments on the financial and business week, appraises the share market and analyses company accounts.



"Limitless opportunities" . . . instils false security.

GROWTH Opportunities In New Zealand is a mixture of development "opportunities" and a list of the country's "resources".

The latter does not necessarily include the former, particularly in areas where present technology is insufficient to exploit the resource.

The book took several months to compile, with the assistance of numerous public servants and others who gave advice and contributions, according to the foreword by Minister of National Development, Bill Birch.

In agriculture, energy, horticulture, forestry, and some sections of manufacturing the survey makes suggestions about further development of existing activities and lists potential investment opportunities.

The horticulture section, for example, refers to additional processing of present fruit and vegetable crops. The added value in export markets is said to offset the extra costs involved. Less familiar plants are given a place: "Persimmons, red guava, tropical guava, sour cherries, prunes, Asian pears, grapes, loquats and figs are some of the contenders for future exports. But the list does not end there. Melons, macadamia nuts, casana, babaco, and cherimoya are some of the multitude of fascinating possibilities."

Positive thinking is an admirable virtue, but it can also lead to the trap of understatement and unrealistic thinking.

The survey says that there will be a delay before the full benefits of an investment will show in horticulture, "as with any industry".

Returns for kiwifruit, feijoas and persimmons, "might be" as long as five to seven years. Nut trees, according to the survey "may" take even longer.

There are no "mights" or "mays" about it. Those crops will take at least the time indicated to provide a return.

Similar critical comments can be applied to other sections of the survey, although it does provide an almost exhaustive list of resources. Whether they are "opportunities" is another matter.

A better balance between positive thinking, optimism, and a realistic approach to the resources would improve the text

The section on minerals has curious examples of the point just made.

Opportunities in non-metalic minerals are said to include asbestos, sulphur, the Chathan islands peat deposits (which contain montanwax), and phosphorites.

The Chathams' peat deposits are "suitable" for the extraction of montan wax, but the survey fails to mention that considerable work has already been done on the deposit.

That point would not take the peat out of a list of "opportunities", but the additional information would round out the document.

A similar comment applies to the sulphur deposits near Taupo. The survey says that technical problems associated with recovery have not been overcome.

The technical problems may be overcome in future as extraction methods improve, but is this an "opportunity" or a "resource"? Detailed investigation has already been done.

We come back to the structure of the book.

The report then says "in future it may be practicable to mine these large seabed reserves" (of phosphorite nodules on the seafloor between the Chathams and the South Island).

That is valid, but does it add much to a book concerned with "growth opportunities"?

The report is on sounder ground when it deals with energy prospects and manufacturing.

But the manufacturing section still uses unrealistic language.

"Many of the products that could be made in New Zealand or further developed are referred to in other chapters and the following thoughts are only representative of the limitless possibilities"(*NBR* emphasis).

Official documents which refer to "limitless opportunities" are good for the public morale, but they can also instil a feeling of false security.

The country has a good future provided we can get through the next few years in reasonable shape, but only if people and policies take account of the problems, and the need to work at economic development.

Anyone who thinks there are "limitless opportunities" available, and who fails to consider other countries' policies, the need for very sophisticated marketing, internal deregulation, and the ability to deliver the right products on time at the right price, is thinking positively and is optimistic, but also unrealistic.

On balance, the survey has excellent material, some low statements, and (in places) an air of excessive optimism.

Now the job is to exploit the "opportunities" and "resources". Once again we come back to some co-ordination on development and investment.

Both aspects of the country's future are widespread. (Even the growth survey was overseen by an ad hoc committee on National Development" — Bill Birch's words).

We have "Investment Units", "Planning Councils", government departments, sectional "development" councils and committees, but we have to set up an "ad hoc" committee to produce a book. Oh, for an Industrial Development Corporation (see *NBR* November 5, 1979

US central bankers redefine money supply

THE Federal Reserve Board — the American central bank — has announced sweeping changes in how it figures the monetary statistics used to guide its policy.

The action was prompted by many financial developments, including the creation of new kinds of money — a new type of interest-paying checking account, money market mutual funds, and automatic transfer services — that made it more difficult for the Federal Reserve to gauge money supply accurately with the old definitions.

Control of the money supply is essential to containing inflation, according to Federal Reserve chairman Paul Volcker.

Among the changes announced were:

• M-1, in the past the most commonly watched monetary statistic consisting of currency plus demand deposits (checking accounts) at commercial banks, becomes M-1A — essentially the same as the old M-1 except that checking accounts held by foreign banks and official institutions are excluded.

• A new measure, M-1B, will include M-1A plus other forms of deposits that behave like checking accounts, — including NOW (Negotiable Orders of Withdrawal) accounts, which are interest-bearing checking accounts available in a few states; automatic transfer services under which money moves from savings to checking accounts as needed; credit union share drafts, and demand deposits at mutual saving banks.

• A new M-2 will be created to include M-1B plus other kinds of savings deposits, including money market mutual funds and the large overnight deposits by corporations known as repurchase agreements.

• A new M-3, consisting of the new M-2 plus large time deposits and long-term repurchase agreements, will be created.

• Finally, a new measure of easily marketable financial assets known as L will be created, to include savings bonds, treasury bills and commercial paper.

O'Brien on business

Analysing annual accounts: General Finance

THE takeover bid from the National Bank/Todd Motors consortium for General Finance Ltd highlights a point of financial disclosure in General's annual report.

Analysts have suspected that the value of the Group Rentals subsidiary is higher than the entry in the consolidated accounts.

The annual report, perhaps by coincidence, confirms that belief, when considered together with the terms of the offer.

Chairman A H Armour says the company rejected a bid of $9 million for Group Rentals from the British company, Electronic Rentals Ltd.

"This figure was well below your directors valuation and the price arrived at by the independent valuer".

Armour does not mention the Group Rentals' valuation in his review. There is no statement of the figure in the accounts, apart from a change to depreciation policy on rental TV sets.

It is understood that the valuation was in the region of $15 million.

If that assessment is correct, there is an interesting coincidence with the terms of the Black Horse Finance Ltd offer (Black Horse is the National Bank and Todd Motors vehicle).

At $15 million (again assuming that figure is the correct "private" valuation of Group Rentals) there is a gap of $6 million above the Electronic Rentals offer, which would be added to General Finance's shareholders funds.

Apart from business associated with rental and some leasing, there are few hidden reserves in a finance company. Term finance deals are pieces of paper with future income allowed for in the accounts. They contain interest and similar revenue at a fixed rate, and therefore the earnings have a direct relationship to the assets.

You do not get more "production" or "sales" from a term finance deal, unlike plant and machinery in a manufacturing organisation, although you can improve overhead efficiency to some extent.

The situation changes in rental business, a point indirectly noted when General Finance altered its depreciation policy (the rental equipment is included in the books at cost, so the new "disposal values" can be taken as a hidden reserve).

General Finance's shareholders funds were $19,304,000 at the October 31 balance date.

Add another $6 million and we get $25,304,000.

Black Horse is offering $2.30 cash for the 10,905,000 $1 shares on issue at balance date. That includes the National Bank's present holding which will be sold to Black Horse.

Would you believe that the total offer price (or "value" of General Finance) is therefore $25,081,000, almost the same as the $25,304,000 calculated earlier?

Earnings per share in the latest year were 33.3 cents. Divide that into $2.30 and you get 6.9, say 7, which is a reasonable multiple for a finance company.

All this may be coincidence, but whether it is coincidence or a finely pitched bid, the point remains that General Finance has a subsidiary which, on its own admission has a value higher than that given in the accounts.

The consortium is paying "goodwill" of $6 million on the October 31 figures, although the "goodwill" is something of a misnomer in this case.

The picture after deduction of General Finance's goodwill — does little to alter the picture, because this amount relates to the excess over book value paid for assets acquired in the past.

It is interesting to note that when General Finance acquired in 1975 the balance of the shares not already owned in Group Rentals, goodwill jumped from $118,000 to $1,398,000.

Perhaps the various "goodwills" have a "real" value. Group Rentals' value can be looked at another way.

The ANZ bank is offering an effective $1.75 for UDC shares (it is immaterial that the market expects at least a 25 cents "stag" gain on ANZ shares.)

The ANZ offer is approximately the same as UDC's asset backing a share, after allowance for an increase in reserves in the current term.

But UDC has only a partial interest in a rental company, so the price being paid is in line with the true value of the assets.

On that basis, $25 million (in terms of total value) for General Finance seems to be the true value of the assets, which brings us back to the $6 million. The rest of General Finance's accounts are straightforward, although now of academic interest because the takeover offer is certain to succeed.

Dividends pay despite profit fluctuations

IVON Watkins-Dow Ltd reported an extraordinary profit result last week, and announced good benefits for shareholders.

A one for seven bonus issue, and a dividend increased from 8.75 cents (17.5 per cent) to 9.5 cents (19 per cent) should keep shareholders and the market happy.

The final dividend will be paid on the bonus increased capital, so the effective payout is 10.28 cents (20.56 per cent).

The sharemarket expected a sizeable improvement in profit after a strong recovery in the first half of the year, but the final result probably exceeded calculations.

The profit was described as a profit gain of 117 per cent over the previous year. The tag is misleading (as are all references to percentage profit increases) because the company earned $1,768,360 in the year to December 31, 1978, compared with $2,097,591 in the previous year.

A percentage gain from a depressed position may be interesting, but it is financial nonsense when pushed into print without a qualification about the previous year.

I W D has a history of profit fluctuations, for several reasons, one of which is the comany's close association with agriculture.

The profit record since the balance date was changed from March 31 to December 31 is:

Year	Profit $
1973	808,439
1974	1,238,946
1975	710,329
1976	1,689,709
1977	2,097,591
1978	1,768,360
1979	3,843,000

The figures show that investment in the company is a chancy business if a buyer is looking for rapid gains in a particular year.

But I W D has kept an eye on shareholders' welfare, in spite of the profit variations.

The dividend was cut from 7 cents a share (14 per cent) to 5.5 cents (11 per cent in 1975) in line with the substantial profit fall that year.

It was restored to 14 per cent the following year, raised to 16.5 per cent in 1977, and further increased to 17.5 per cent last year, although there was a profit downturn.

The latest result gives the group a strong buffer against any difficulties in trading this year.

A brief examination of the figure after allowance for the bonus issue shows the financial strength.

The shares were quoted immediately after the profit announcement as buyer $1.75, seller $1.85.

Taking the middle point of $1.80 as a "sale price", the shares had an ex-bonus market value of $1.57.

If the company maintains the 19 per cent dividend on the ex bonus capital the dividend yield would be 6.05 per cent, compared with 5.08 per cent on the day of the preliminary statement.

The earnings yield, based on an earning rate of 49.21 cents ex bonus, would be 31.3 per cent, to give a theoretical price earnings multiplex of 3.19. The dividend would be covered 5.2 times, so the p/e multiple is low, given the company's capacity to improve its payout, assuming that profitability in the current year is at least close to the figures recorded in 1979.

The basic analysis suggests that the shares are underpriced at the quotations listed last week, although the market may be building in some discount against the possibility of fluctuating profits in future.

The Government's plans for the textile industry had little immediate impact on company share prices. There could be a reaction as the implications are analysed, and the effects on particular companies are assessed.

The Government will examine another paper setting out the alternative opportunities for any displaced workers, but that is incidental to the profitability of the manufacturing units.

Investment in the industry seems unwise until the overall results of the proposed changes are clarified, whether by the companies concerned, or by independent analysis.

NOTE: The writer neither owns, nor has a beneficial interest in, Ivon Watkins-Dow shares.

O'Brien on business

Export incentive scheme takes on new meaning

COLYER Watson Ltd, the commodities export house, put a new interpretation on export incentives last week.

Apparently stung a little by criticism here and in other places of the company's failure to disclose the value of its export incentive cash rebate (*NBR* February 11), chairman Cliff Pearce explained his company's attitude.

"As happened with the presentation of our first accounts, several financial analysts and commentators have again suggested that the export incentive taxation rebate comes as something of a bonanza, implying that without it, the company's accounts would present a very different picture".

"I would like to make it quite clear, and to correct any misapprehension that may exist on this score, that as far as we are concerned, and this applies to other firms trading in similar circumstances to ourselves, we really act as a distributive agency for what is virtually a subsidy to producers. The export tax increment which is included in our accounts, is simply the recovery, some considerable time after it has been disbursed, of pay-outs to producers or first-owners of material coming to us, calculated into our pricing structure on the basis of our expected recovery at the later date to which I have referred. The actual quantum of this recovery we do not state, since it could have little relevance to anyone but our competitors in the trade."

"I could add that the translation of a highly complicated and sometimes fluctuant formula, depending on costs, into a trading price structure in a competitive market place, is something of an administrative nightmare which we could sometimes well do without under today's difficult and demanding trading conditions".

There is no need to extend the debate about Colyer Watson's disclosure policies, or the effect of the rebate on the company's profitability. We had that debate after the meeting, and there is still a disagreement on principle.

(It is appropriate to suggest that the information in Pearce's address to the meeting is the type of information which should have been included in the annual report, but we now have the company's reasons, which is an improvement).

The information on how companies view export tax incentives is the main point.

It is known that many companies build the tax incentive into their pricing policies, particularly if they are purchasing primary raw material in New Zealand for further processing, but this is probably the first time the matter has been confirmed in public.

In theory, the tax incentive is to be applied after you make the sales. The company makes a "profit", perhaps low depending on overseas competitiveness, and then obtains a tax concession which improves the net return after tax.

Now we have talk of subsidies to producers. The distinction is fine, and theoretical, because the overall returns of a company must be reflected in its pricing policy.

But the point has practical relevance in terms of trade relationships.

Altering the internal tax structure as a reward for export performance is unlikely to raise too much heat in other countries, although the policy could be seen as a form of indirect subsidy.

Changing a price structure to reflect a tax incentive may be a different matter, particularly if the effect is direct, rather than indirect.

That is one side of the theoretical argument, but one which raises the dreaded thought of dumping.

The other side is again a fine distinction.

The Government is not providing cash at the time of sale, which would be a direct price subsidy.

As Pearce said, ". . . the recovery, some considerable time after it has been disbursed of payouts to producers or first-owners."

The Government has no direct concern with what an exporter does with the incentive, although it is interesting to hear the incentive referred to as a producer subsidy, rather than a boost to the manufacturer.

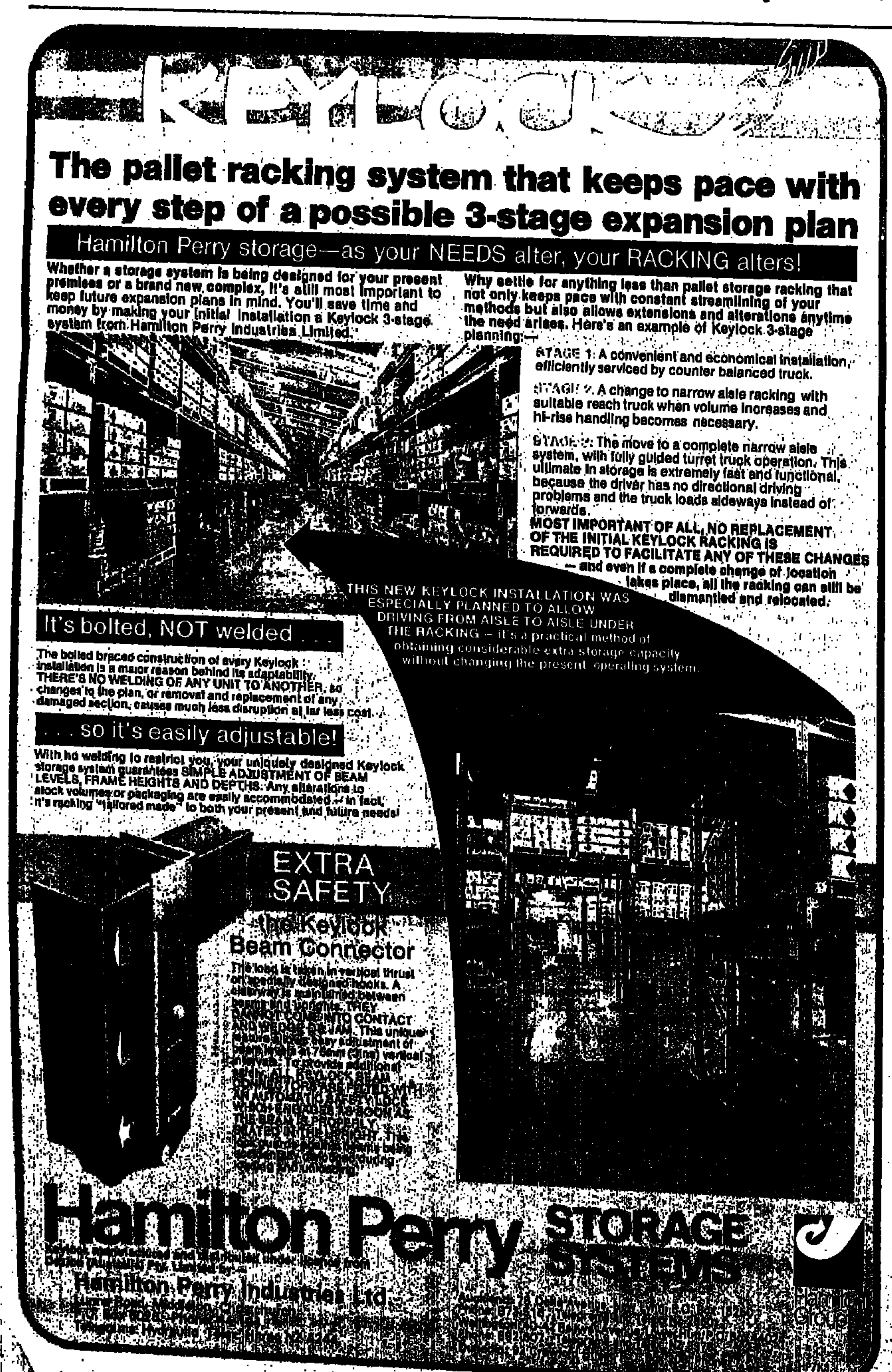
A direct subsidy to the producer for primary products exported overseas is in the other category.

The situation that Pearce described is an incentive for the export of goods manufactured from that primary produce, while some manufacturers treat it (in their pricing formulae) as an *actual* subsidy, irrespective of how the administration looks at it.

This is a question which will probably waft off into academic debate. It is a readymade subject for a postgraduate thesis in economics or accountancy.

It has relevance to the new system of "band" export incentives which comes into effect in 1983. Exporters have an option to shift from the old system before then.

Will the new system result in a change to pricing formulae, subject to the competitive state of overseas markets?



Unions unite to develop strategy on technology

by Ric Oram

UP to 150 trade union officials could attend an "All-Union Conference on Technology" in Wellington this April.

The two-day meeting has been called to discuss in detail the likely impact of new technology, and to develop a union strategy to control its introduction and use in the interest of workers.

The strategy will be put to the Federation of Labour and Combined State Unions for endorsement — effectively establishing union policy on introduction of new labour-saving devices.

Late last year, twelve unions met to consider a draft report on what is being called the new industrial revolution. That meeting called for a top level conference.

They concluded that the advent of new technology "threatens the trade union movement with a possible crisis greater than it has faced before".

The new machines — micro-computers — will reduce office staff (clerical, banking and insurance in particular) by up to 40 per cent according to union claims. They want to protect jobs and share in the increased productivity.

The conference, on April 9 and 10, will feature two overseas speakers, Professor Ted Wheelwright, from Sydney University, and his research assistant Greg Crough.

The FOL and CSU will make their mark, with FOL president Jim Knox opening the conference, and CSU chairman David Thorp closing it.

The delegates will be presented with a draft set of principles on how to handle new technology, and the two days will be spent discussing these and formulating the strategy for the FOL and CSU adoption.

Continued from Page 1

The shift to Auckland has created some administrative hassles.

"Worldwatch", the international news programme, was shifted from SPTV to Network One. Now it will be produced in Auckland and transmitted from Wellington.

The programme purchasing department at Avalon will find out what overseas film is available. This information will be phoned or telexed to Auckland.

Auckland staff will decide what it wants, then phone Wellington.

Wellington staff will buy the programme and send it to Auckland, where it will be edited and recorded.

The video tape will then be sent to Wellington for transmission. Should Wellington airport be closed — as it often is — the programme can be sent down on TV's microwave link.

In strict rational terms, the programme might be more cheaply produced in Wellington but that involves staff problems and/or moving expenses.

One of the main objects has been rationalisation, and thus economies.

Cross has said programme plans will mean a much higher level of productivity will be achieved from the same staff and facilities.

The Broadcasting Corporation lost almost $1.4 million in the March 1979 financial year, (compared with a surplus of $4.1 million the previous year).

In the last year of the old system, more than $1.25 million was slashed from production budgets.

According to some estimates, at least $2 million more will be needed to restore TV production output even to 1978 levels.

But this year the corporation expects to increase its revenue from TV advertising by 15 to 20 per cent.

Ad agencies suspect the 15 to 20 per cent increase in revenue may come in advertising rate increases.

Law

Liquor reform: gentrifying grog's own country

by Jack Hodder

"THE attitude of many New Zealanders to drinking is ambivalent and somewhat immature". So said the Select Committee on Violent Offending in its December 1979 report.

The same can be said of our liquor laws. But this year, according to Justice Minister Jim McLay, there will be "a certain concentration" on amending those liquor laws.

That news will be welcomed by many, not least the Licensing Control Commission which has called for a complete rewriting of the licensing laws in its last two reports to Parliament.

Since 1976, when general ancillary licences were provided for and a general lowering of the drinking age to 18 was defeated, the only substantial change to the liquor laws has been the empowering of licensees to refuse entry to unsavoury types and to close bars when things start getting out of hand — a by-product of the Northland gang violence of last year.

The proposal for legislative action follows the release last year of the reports of the Accommodation/LiquorLink Inquiry Committee and of the Select Committees on General Ancillary Licences and on Violent Offending. The recommendations contained in these reports will probably form the basis of legislation to be introduced by McLay.

Just what will happen to such legislation is not easy to predict. Liquor laws are regarded as matters of conscience, with MPs having a free vote and a lack of guidance from the party Whips, (a dubious recipe for coherent legislating as demonstrated by sporadic abortion debates of recent memory).

This nonpartisan parliamentary vote is one of two constitutional oddities produced by the longstanding liquor debate. The other is the triennial referendum, the licensing poll held in conjunction with the general election.

The last poll provides a basic platform for the conscientious MP's deliberations: prohibition (perhaps the neatest solution to complex liquor laws) attracted 252,154 votes; state purchase received 374,194 votes; and national continuance carried the day with a convincing 1,053,268 votes.

Our conscientious MP will also find that New Zealand drinking is in a confused state. On-premises consumption has been badly hit by the rocketing cost of petrol and of blood/alcohol convictions. General ancillary licences have mushroomed.

Total beer consumption has declined for the first time in two decades maybe due to the departure overseas of significant slice of the consuming population). There are many voices, the best funded of them, the Alcoholic Liquor Advisory Council, spreading the word that social and medical problems relating to alcohol are directly proportional to per capita consumption and that the gentrification of drinking habits is overdue.

The major text that our conscientious MP (whose resemblance to any person, living or dead, may be purely coincidental) will study is the report of the Select Committee on Ancillary Licences.

General ancillary licences were first provided for in 1976 and intended to cover a variety of situations where liquor supply would be incidental to another activity.

The Licensing Control Commission was overwhelmed with applications, many from sporting clubs, and its cautious approach (upheld by the Chief Justice in the Porirua Rugby Club case in May 1978) provoked protests which led to the establishment of the select committee in October 1978.

The select committee concluded that the sports clubs' complaints about the ancillary licence were justified. It recommended a new "club licence". This would enable any club in existence for more than two years to sell liquor during hours authorised by the LCC to all members and guests, irrespective of their participation in any principal activity.

A separate "proprietary club licence" was recommended to enable country clubs and the like to enjoy similar rights. The committee had in mind the difficulties of the Ohariu Country Club near Wellington.

The presence of a profit motive took it outside the scope of a chartered club licence and its application for a general ancillary licence failed in the Supreme Court in March 1979.

The committee also recommended the introduction of "community cafe licences". Such cafes would be small (up to 50 people), in the nature of a coffee house selling liquor, with food and non-alcoholic drinks readily available, perhaps suburban and possibly in garden settings. And it recommended that Parliament reconsider the question of reducing the drinking age to 18. At the same time that the Select Committee on Ancillary Licences was hearing submissions favouring an increase in the number of licensed liquor outlets, the Select Committee on Violent Offending was receiving submissions that the liquors laws not be liberalised and that the number of licences not be increased. The later committee was told by the police and the Justice Department that "the combination of alcohol, overcrowding, and loud music now found in many hotels is conducive to violent behaviour".

The Select Committee on Violent Offending did not make any broad recommendation. It did recommend a trial meal break in licensed drinking hours on weeknights to assess whether such a break would improve drinking habits. It also thought that an estension of the present 15 minutes drinking-up time might be tried. The third text for our still conscientious, if weakening, MP is the Accommodation/Liquor report. This inquiry was established in response to protests from suburban licensing trusts at proposals to extend the tavernkeeper's levy for their outlets.

The levy (3 per cent of liquor turnover) was introduced in 1961 as the price payable for the privilege of providing liquor without providing accommodation. The proceeds go to the Hotel Investment Account.

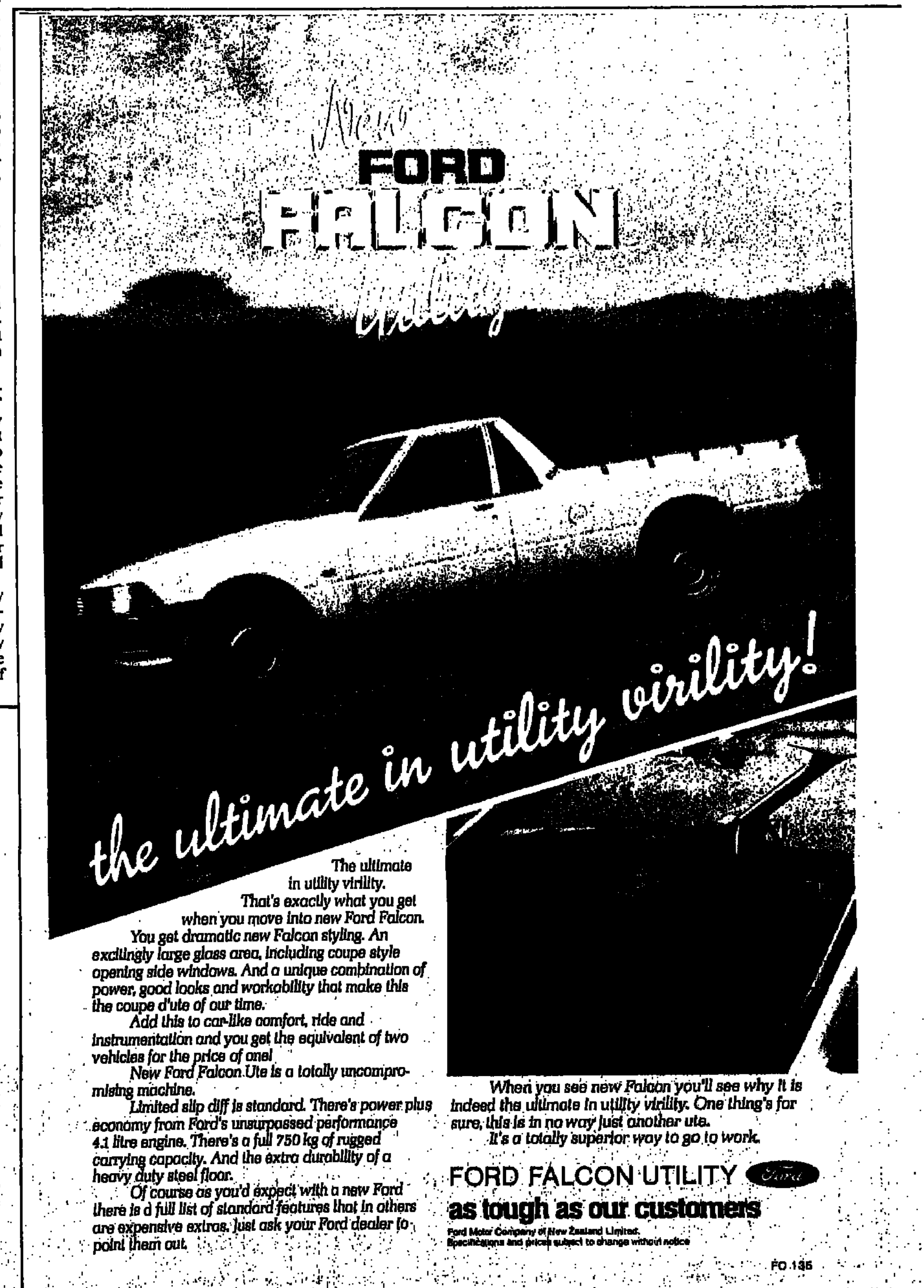
This committee, like the 1974 Royal Commission, could find no alternative to the accommodation/liquor link as a provider of loan funds to meet the need for accommodation.

It felt that, with the proliferation of liquor outlets not providing accommodation, the levy on taverns was unfair and recommended its replacement by a levy at source on all liquor manufactured in or imported into the country.

It suggested setting levies which would yield approximately $4 million a year (three times the present tavern levy) and that the monies be vigorously employed in the building, extension and upgrading of hotels and motels with tour party capacity and restaurants. All of which could add up to a substantial piece of legislation.

It would be possible to go on and mention that the issue of Sunday liquor sales may be reopened, that McLay's 1979 speeches referred to relaxing licensees' obligations to keep their premises open at set times and that the Licensing Control Commission wants a drastic overhaul of the present law which allows local polls to delay and frustrate the establishment of smaller liquor outlets.

But it would perhaps be better to leave our now exhausted conscientious MP — contemplating the joys of abstention.



Workers toing and froing: a taxing issue

A ONE-MAN commission of inquiry into travel allowances and whether they should be taxable, has completed its hearings and reported to the Government.

The inquiry was set up by Government after an argument as to whether the travel allowance received by some Air New Zealand staff should be taxable. The Inland Revenue Department decided that the allowances should be taxable.

The Federation of Labour was called in as industrial action threatened. The commission was established.

In this second part of a two-part article, Ric Oram looks at the industrial relations and moral aspects.

AS communities expand, getting to and from work can become a full-time job in itself. Workers today cannot live close to their workplace and transport costs are soaring.

There are arguments that the average-paid worker no longer has to labour so long to pay for a car as they once did, and that because wage increases are often related to inflation rates (the Consumer Price Index takes into account the cost of transportation) travel costs are already paid for.

The Inland Revenue Department follows overseas practice in denying transport costs as a deductible item.

The department will allow travel to and from work as a deductible item *only if the* employee is required to use his vehicle as part of (and during) daily employment.

Travel is not a new issue for unions and employers. In 1899 the Arbitration Court provided in the Auckland building trades award that the employer should pay for time *spent walking between the* shop and site, or provide the cost of transport.

In 1949 the Auckland Carpenters Union was deregistered over a strike for travelling allowances. But it was successful in gaining extra paid time for suburban work.

A dollar a day travelling allowance was campaigned for from late 1974 by Auckland drivers and storemen. The Federation of Labour conference in 1975 gave the national executive the job of obtaining it on a national basis.

The FOL failed. And the next year it was handed back to individual unions.

The Meat Workers' Union was the first to have a go. After a series of strikes the matter was referred to a committee of inquiry, which apart from ordering allowances for workers who start or finish outside normal working hours gave nothing.

The Employers Federation told the recent commission of inquiry that from time to time there are various claims, mainly monetary, for travel allowance. Employers resist them, and federation policy is that they should.

The federation said such *claims are seen as a way of* increasing pay by an alternative means but not all employers resist.

The Labour Department had a look through awards and agreements and found that of 771, just over half had some travel provision – mainly for outside normal working hours.

The federation thought there was a case for the allowance to be tax deductible, but not so the State Services Co-ordinating Committee (representing the Government as an employer).

It told the commission that *individuals should pay out of* their taxable income the basic cost of arriving and leaving work. But it admitted, that employers should bear any additional costs incurred by employees at their employer's convenience.

The Employers Federation agreed with the CSU on something else: It suggested that if travel allowances were made taxable, unions would seek to make up that loss of income by asking for higher allowances. Employers would presumably seek to recover these increased costs in prices.

The CSU said that if the allowances were taxable, unions would press for the tax to be incorporated into new allowance levels "so that the employee's position is no different than before the tax was levied". And it went further, saying that if expenses of getting to and from work were taxed the employing authority would probably be asked to provide free transport to and from work.

Just about everyone pointed out the moral issue to the commission.

There is no denying that employees see the provision of a car as a good way of avoiding a higher tax bracket yet *having more spending power* in the pay packet.

The average car nowadays costs about $2500 a year to run. That can be equivalent to $5000 earned income – because half could go in income tax. So, many are prepared to earn a lower salary if a car is provided for seven days a week.

New Zealand is not alone in this. A survey by the British Institute of Management shows that 99 per cent of 466 companies which participated in the survey provide cars for executives and salesmen.

In its submissions, the FOL pointed out that it is almost a *universal practice here, and it* would be surprised if it did not increase as energy costs continue to rise.

Then the morality of it: if workers see company cars go untaxed (and most company cars would be used for private motoring as well as for business) while their allowances are taxed, they will see the taxation system as unfair – "and this will only lead to increasing industrial strife".

The Engineers and Clerical Workers' Unions added their voice: in as much as travel expense is already allowed as a deduction in the case of commercial travellers, business executives, parliamentarians and others, it would be seen as appropriate for equivalent allowances for the workforce as a whole to be non-taxable.

The CSU said it was not appropriate to tax the allowances because they are only one means by which transport assistance is given to employees. It is wrong to apply tax to people who receive emolument in the form of money when emolument in the form of a taxi to or from work or a car provided by the *firm, are exempt from tax.*

It told the inquiry that unless all other forms of transport assistance were to be taxed, equity demanded that allowances be tax-free.

The Employers Federation said that executives did have cars, but often because their working day was not narrowly defined and working at home was not uncommon. It was often seen as an advantage by the employing firm to have key personnel freed from timetables and limited routes inherent in public transport.

Be that as it may, the federation concluded by saying: "To achieve a standard approach to taxpayers, the federation recommends that this commission call for legislation providing that all travel allowances be tax-free (and that the commissioner, with the guidance of suitable legislation, be the judge of what is a bona fide travel allowance)".

It is not known yet what the commission of inquiry's report to the Government recommends. But evidence put to it was solidly for travel allowances to be tax-free.

Bank Officers' Union steps out front in maternity leave provision

by Mary Varnham

WITH the Government's Maternity Leave and Employment Protection Bill due to go to select committee hearings next month, the Bank Officer's Union has gone one step further. Its new award, negotiated at the beginning of the month, contains a provision for nine months' maternity leave – *three months* more than the bill – with a guarantee of reemployment subject to job availability.

The leave is unpaid but the employee retains seniority rights and other benefits as though employment had been continuous.

Almost 200 of the country's 708 industrial awards now contain maternity provisions of some sort, but less than 50 of these provide any guarantee of reemployment. The bank officers' contains one of the strongest wordings to date.

How did it come about?

"We had a very watery clause in the last award," says national secretary Don Aimer. "If a woman were reemployed she was entitled to benefits as though her service had been continuous, but there was no obligation for the bank to reemploy her.

"This year we took a much harder line. We said to the banks, pregnancy is simply not going to be a reason for termination of employment from now on."

Pregnant staff ... welcome back.

A maternity leave bill in the House proved to be a stumbling block.

Up to the last hour or two of negotiations, the banks insisted they weren't going to do anything because there was legislation pending.

The union's argument: as large employers of women, the banks were well able to go further than the bill. Their staff turnover was colossal and they would have little difficultly hiring temporary workers to replace women on leave.

According to Aimer, pressure for the provisions came largely from women members in the large centres, particularly those who work in the Databank system. Trading bank staff proved more conservative on the issue, specially in the secondary centres.

Here the union found sentiments ranging from a lack of interest to overt hostility. In Gisborne, union members passed a resolution opposing maternity leave.

It came as a shock to Aimer that women in these areas were as opposed to the idea as men. "There are clearly plenty of women, particularly in country areas, who still see living in a nice house and *having two or three children as* their total goal in life. They don't understand women who want to go back to work."

Impetus for effective maternity leave provisions has, so far, come mainly from women in the large urban centres, and is backed up by a rapidly changing social structure.

*For many families, two in*comes have become an economic necessity and the stigma long attached to the working mother is fast disappearing.

"Five years ago it would have been impossible to bring in such a provision," Aimer points out. "The banks wouldn't have looked at it – *and neither would the em*ployees."

Costly TV spread takes off on skinny staff

IT'S too soon to tell if Television New Zealand is the promise that Ian Cross made a year ago.

Apart from a lack of style on the new One and Two, there's little evidence yet of what we are about to receive.

Behind the unimaginative scene, however, is a different story. Apart from staff unrest *and disquiet among some* commercial organisations, there are signs of imbalance in the approach being taken toward the overall local production output. And the *regional magazine* programmes are the large flies in a very small jar of ointment.

With minor differences, the four regional programmes share common base requirements. But Wellington is the prime case of trouble at mill.

From the outset, production teams there have failed to attract experienced staff to *their ranks and the problem* grows.

Fred Cockram was appointed as regional editor. But a few weeks in the job made him change his mind; he quit the post.

There were no applications for the job of producer, so wooing and coercion was applied to a number of staff producers, all bar one maintaining a safe distance from the job. The final appointment is a relatively junior producer who took the job not because he wanted it but because he had no choice.

A prime source for reporters was the regional news area. But once plans became more positive for the new programmes, many of these reporters quickly found jobs elsewhere. That left a very small pool for selection.

And so reporters on the now defunct "Good Day" (officially "in recess") have *been redeployed* to bolster the sagging line-up on the Wellington regional programme.

Notwithstanding the enthusiasm and potential of these *reporters, there are only two* who can be considered trained journalists.

But the babes in the wood are certainly getting all the support in other *directions.* Every weekday they can *utilise up to five two-person* camera crews, up to five film editors, and spend an hour or two in a fully manned (but miniscule) studio.

Since *part* of the Cross reorganisation was to avoid an increase in staff, the camera crews, film editors and other associated bodies had to come from somewhere. The answer *was simple:* from other productions.

Almost without exception, all other local productions are feeling the pinch. Up until its "recess", "Good Day" was facing severe cuts in its facility allocation, both film and electronic.

Down south, the Dunedin operation finds most of its production time plundered for the regional programme and at least one network weekly peak-time programme faces a year with no regular *studio or film facility.*

The above-the-line budget for each regional programme is not high by world standards. But as they all average out at *well over $100,000 a year,* that's around $500,000 that comes from other productions.

There are no signs that any money is being saved in other areas. So not only do other productions face reductions in facilities and staff — they also face extremely slender budgets, or extinction.

Still, because the word from the board is that the regional programmes must succeed, they have their staff, they have their money and they have their facilities. Now to find the material to present to you every night, Monday to Friday, at 7.30pm till 8.

A few years ago when audiences were quite happy to accept turkeys in gumboots, radio and television worked closely together, specially in the regions.

There was a finely tuned communications system around the country which *enabled* television programme producers to capitalise on the enthusiasm and efforts of regional radio staff. They often ended up playing a small role in any story which eventuated and so the circle was complete.

The programme got stories, the regional reporters were seen to be active in their own area, and the public was occasionally informed, if not entertained.

Wellington now suffers most with its television empire well away from radio headquarters.

But the regional programme will appear as promised (suspiciously close to April 1), whether the public wants it or not.

There's been no referendum, no national survey, no motive for this exercise except the dream of chairman Ian Cross and his belief that he knows what we should have and/or want. So if you live on the West Coast and can't get Channel Two, look forward to the Network News 6.30 till 7pm, half-an-hour's respite, then back into news for 30 minutes more. Every night of the week.

If chairman Cross has made *a mistake* with regional programmes, then it is a very expensive mistake.

But as he conceded to the *Southland Times* in June last year: "There'll be trouble next year ... I can't particularise what, but I know they'll come."

Flexible sale style lives on under new regime

by Warren Berryman

SOUTH Pacific Television passed into *history last week.* But SPTV's methods of selling advertising space live on, having largely been adopted by TVNZ.

TV One and SPTV had different styles of selling ads. TV One, with its loyal team of traditional advertisers begging for space sold ads in much the same way as a Government servant sells postage stamps.

SPTV, by contrast, had to sell actively and aggresively with far more flexibility than TV One's by-the-book approach *would allow to push* their channel in areas outside Auckland where TV One's grip was strongest.

One large advertiser (a food group) spending about $3 million a year on TV ads was getting a 20 per cent discount from SPTV. The same company could get no discount from TV One, which stuck rigidly to its rate card. This group now gets a 15 per cent discount in the new set-up as a volume incentive – a discount that has not been mentioned to some smaller advertisers.

SPTV *often had regional* advertising slots begging in Wellington, and Christchurch, where advertisers favoured TV One. SPTV couldn't just run a blank screen *in* these regions, so SPTV turned adversity to advantage and gave ad slots as freebees to loyal customers.

Much of this aroused the ire of the advertising agencies which missed out on these deals.

Many of SPTV's selling concepts have been adopted by TVNZ. They include:

- Volume discounts for big advertisers. Advertising spending more than $100,000 get a 2.5 per cent discount; more than $200,000, 5 per cent; more than $500,000, 7.5 per cent, *and more* than $1 million, 10 per cent.
- The multiline rate card. This is designed to relate price of advertising to programme performance. Instead of just *buying a time slot,* for example, the advertisers buy time in a programme expected to reach X amount of people and pay a price directly related to programme reach.
- *The* Qantel automated ad selling/booking system. This is a computerised system that books ads in much the same way as an airline computer books seats.
- Regional breakouts in six regions. This system established for SPTV has been taken over by TVNZ. It allows six different regional ads to be shown in different regions at the same time bringing in six billings for one time slot.

Channel One, of TVNZ, is still the stronger of the two, partly the result of viewer loyalties and the fact that TV2 can't be received in *some parts of the country.*

Advertising rates reflect the difference in reach. Channel One costs about 20 per cent more than TV2.

Advertisers' reaction to the TVNZ system is a mixed bag.

Small ad agencies or agencies with a lot of small clients feel the volume discounts favour the large advertisers at their expense. This feeling is backed up by a belief that publicly owned TV should serve all the public equally.

The major complaint from agencies is that a greater *number* of ads are being slotted in at the ends of programmes rather than in mid programme. If the viewer is watching a high-rated programme, ads placed mid-programme are *likely to catch his* attention. But an ad at the end of the programme is likely to be missed because TVNZ's emphasis on complementary programming encourages channel switching; the advertiser is buying time in which the public are busy twiddling knobs.

The only way the old system can be accurately compared with the new is on a cost per target audience share basis and as the programmes have yet to be shown the ratings are still unknown.

Still some agency number crunchers have been working on cost per anticipated reach. These media buyers report that some target audiences will be more expensive to reach under the new system — and some the same — and some cheaper.

Whatever the admen's complaints, the advertising is selling.

Both channels have all their prime spots booked full till Christmas. Only the regional dull spots remain unsold. National advertising ads slots ... *but that is to be expected,* because regional advertisers don't usually book so far in advance.

Television the way National called for it

by Bob Edlin

TVNZ is Prime Minister Rob Muldoon's personal victory.

The restructuring of television might give effect to chairman Ian Cross' programming vision. But it needed the Government's blessing.

The politically appointed corporation board must get Government approval for anything as major as a restructuring, specially since legislation was called for.

And the Government's election *Manifesto in 1978* had called for a re-examination of the roles of the two channels to ensure:

- That the regional contribution was encouraged, and
- The efficient utilisation of all local production facilities achieved in the interests of both channels.

The author might have been Cross himself. He announced the restructuring within a few months of the election and after an approach to the Government for an increase in the licence fees.

The Government gave the new plan a low-key reception in public. But in private, Ministers clearly were delighted.

Muldoon made clear the *restructuring had to work or* one channel would be shut down, leased or sold to private enterprise . . . or anything.

He maintained that broadcasting standards had slipped and that the "man in the street" would agree with him.

While musing on a role for private enterprise, he expressed himself in favour of the ideas behind the Cross plan to remove competition and to rationalise facilities.

Under the new proposals, "it is to be earnestly hoped the number of staff required to produce the service will diminish considerably," Muldoon said.

The restructured system combining TV1 and SPTV under a changed administration officially came into being on September 1 but did not start broadcasting its new programmes format till February 16.

The new system has been launched against a background of promises to heighten public expectations.

The BCNZ had provided the finance to make possible a total New Zealand content of 40 *per cent, Cross has said.*

Some 400 hours a year more in local production was assured.

He described the regional programmes (to screen at 7.30 each *night on-Network One*) as "laying the foundation for television throughout the 1980s".

They were "essential for the development of television in New Zealand," and the corporation is putting much greater emphasis on regional programming in an attempt to "draw television closer to its audience".

But overestimating studio capacity and staff numbers has meant that TVNZ may have promised more programmes than it can make.

When legislation was passed to effect the restructuring in November, Broadcasting Minister Hugh Templeton said the aim was to eliminate duplication, provide for less competition, and promote more regional services.

"It will mean more news, more regional news and no cuts in current affairs," Templeton said.

But already the daily magazine programme "Good Day" has been "deferred'.

Indeed, staff seem to be at a premium.

Trainee producer/directors have been denied opportunities to get further training in areas where they feel they need it. Instead, they have been directed to work on programmes *that* needed someone — anyone.

Producers at Avalon are saying that Corporation executives only now have woken up to the fact that they will not be able to make all the programmes they have promised. They do not have the trained staff, the studio time or the equipment available.

And experienced staff predict that what resources are available will be gobbled up to push out 30 minutes of viewing for the regions five nights each week.

There has been militant talk at Avalon about strike action if staffing levels are not boosted.

Film cameramen, studio cameramen, telecine staff and so on *have left* or been promoted in such numbers that the Producers and Directors Association has gone to the board to warn that it can't deliver unless more staff are provided.

The documentary area has no reporters assigned to it.

Senior people such as Richard Thomas went to Britain or Australia.

Four film cameramen have quit at Avalon in recent months (some got out; some went to other jobs).

Some sound recordists have gone.

At least two film editors have left and promotions to administration positions have further reduced the working number of editors.

Four studio cameramen have gone — experienced staff who could get a director out of trouble because they knew their job.

TV One's news room has lost Dougal Stevenson, Bill McCarthy, Fred Cockram, Chris Mitson, Chris Harrington, Jim Curry, Merrin Craig, Bill Alexander and Doug Eckhoff (who has been pushed into a cul-de-sac with nothing to do except dream about the top-rated news show he used to edit). Others say they are leaving or thinking about it.

Of the "Dateline Monday" staff (14 people including three temporarily attached production trainees) only four remain in current affairs (one of them was co-opted). Experienced people like John Keir and Dairne Shanahan have moved on.

Avalon is critically short of TVPA's (producer's assistants).

The Producers and Directors Association has said that programme demands are unreasonable.

Some producers and directors are talking about leaving, because they claim that what has been promised just cannot be done.

Highly paid and highly placed executives have openly knocked or expressed doubts about the new system.

Some seem to be staying on just to make the best of it, to save the system from its worst features, to ride it out and wait for the next restructuring.

The lack of fanfare that greeted the changeover reflected a lack of pride, and the softest of soft sells.

There is still a strong feeling at Avalon that the whole thing could have been done more simply by the board's directing executives to implement the programme policy it wanted.

Rumours persist that other programmes will be scrapped, including "Play School" and "Tracey 80".

Asked how much more would be spent on regional news, news controller Bruce Crossan said last year: "Not a *red cent more*" . . .

But "Good Day" was scrapped to save regional news. Staff on the programme were either pushed back to regional news (at least two journalists) or sent to current affairs (one director).

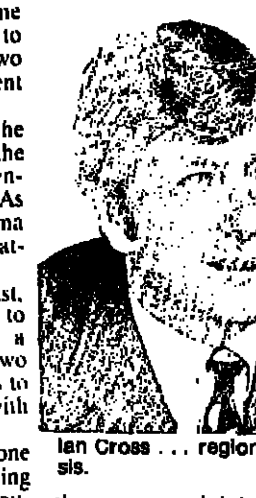
The Avalon building is the best production centre in the country, but has been downgraded in the new system. As its output is reduced, drama particularly has taken a beating.

In Auckland in contrast, facilities are called on to produce one hour a night of live programme (two news shows), boosting this to 90 minutes twice a week with "Eyewitness".

Journalists work in one building with its own editing facilities several blocks away.

Every night, cut films and sound tapes will be driven across the city in peak-time traffic so that the show might go on.

The intangible factor is the *bitterness. If people were* happy with what is happening, they wouldn't complain. But they are complaining.



Ian Cross . . . regional emphasis.

Many see the restructuring as a return to the days of the NZBC.

They are angry that regional news will soak up an undue amount of money and *people.*

They are angry that Cross has become a Super-Director-General.

Graphic staff are angry about the controversial flag and stars and the short amount of time they were given to work up a finished design from the commercially conceived logo. They know that what you see on the screen is bad.

But there are those who have got good jobs, or their old jobs back, and centres like Christchurch and Dunedin are generally enthusiastic about the chances offered for home-town production and work.

Christchurch regional editor John Knowles has long been a strong advocate of more regional news. And *down there, they're happy that* South Tonight can be resurrected, again with Rodney Bryant in the hot seat.

Parochial programming has always gone down well in the *south, and was an early selling* point as Cross pressed the case of the regions.

Status quo falters in schizophrenic Saturdays

by Belinda Gillespie

SATURDAY trading is the issue that brought the Retailers' Federation and Shop Employees' Union into the same bed. But the two have yet to embrace.

Both organisations have complex structures, reflecting the composition of the retail trade.

Celebrating its 60th annual general meeting this year, the Retailers' Federation has a voting membership of 16 local associations. Members automatically belong to the appropriate trade federations, from footwear through to floor-coverings.

It enfolds a Distribution Industry Training Board, Industrial Union of Employers, retail publishing company, and has nine affiliated organisations.

The cat was put among the retail pigeons for the first time when the Shop Trading Hours Bill was introduced in December 1976. "The industry did not anticipate the fiasco that was to follow in 1977", said the federations' 1978 annual report.

Under the bill, shops could trade from 7am till 9pm Monday to Friday.

Exempted goods in the old Act became "approved goods," and a list was created.

The Shops and Offices Exemptions Tribunal was replaced by the Shop Trading Hours Commission, and the criteria for judging applications to trade on weekends and holidays enlarged.

The industry became "schizophrenic", according to the Retailers' Federation, which found itself in the awkward situation of trying to keep the *status quo*.

Most members wanted to stick to the old trading hours, and steer clear of extra late nights or Saturday shopping.


Barry Purdy . . . his federation is keeping mum.


Rob Campbell . . . challenged the retailers.


Sonja Davies . . . times have changed.

But some were eager for change.

Although opposed to the Bill, the federation took a moderate line in its "communication programme," which tried to put the Bill "in perspective" for members and their staff.

The federation claims it played the major role in having the Bill amended and shaped more to the liking of both retailers and unionists.

Stopwork meetings, strikes and lobbying placed "tremendous demands" on the federation, which says it carried "most of the burden for the retail sector."

Despite the "extreme dangers" of the new law predicted by the Shop Assistants' Union, the federation said "it soon became apparent that the union's claims were exaggerated as little change occurred in trading hours. The federation's attitude was vindicated."

From its alliance with the union against an extension of trading hours, the federation moved last year to acknowledge that there was less opposition to Saturday trading.

When pressed by the shop employees to state that it did not support extended hours in certain areas, the retailers answered that the question "should be resolved on an area basis," and that they did not nationally oppose area applications coming before the commission.

At a joint retail industry conference, the Shop Employees Union tried to set up a committee to examine applications for extended hours. No one was to be employed in the weekend without the written permission of the committee.

But the employers would have none of it. The outcome was a watered-down agreement to propose an amendment to the Act which would make the commission consider employees' interests when hearing applications for extended hours.

As shopworkers participated in a national ballot on Saturday trading earlier this month, their industrial officer, Rob Campbell, challenged retailers to "take an equally democratic approach," and conduct a similar series of ballots.

But Campbell's challenge is mere politicking, in the view of Barry Purdy, executive director of the federation, which is keeping mum on the subject till members have made their views known at the annual conference in late March.

The shop employees have autonomous unions for each area, with a national association represented at Trades Hall in Wellington. Like the Retailers' Federation, employees are also divided into occupational groups, from which the union executive is elected.

Traditionally weak because of the fragmented, transitory nature of many retail businesses and the mobility of the workers, the Shop Employees' Union gained much of its present momentum from the extended trading hours issue.

But the retailers' view – that the union took advantage of the 1977 Bill to strengthen ties with more militant unions and to orchestrate stopwork meetings to obtain the result that the hierarchy wanted – is unjustified, according to Sonja Davies, industrial advisory officer to the Wellington Shopworkers' Union and member of the FOL.

There was no question of manipulation of the membership to drum up opposition to the bill, either in 1977 or now says Davies.

Political pressure came from the members themselves, who found, in extended trading a unifying issue that overrides occupational differences to be expected in an industry which runs the gamut from butchers to florists.

A membership dominated by women, 70 per cent part-timers, became militant at the prospect of a law which they saw as a threat to their way of life. Three years later, says Davies, concern is just as high, with some members fearing that the union executive might follow the Retailers' Federation and drop its hard line on Saturday trading.

Polls which show people favour Saturday trading don't mean much, in Davies' view.

"All people – including shop employees – would like to shop on Saturdays. But who wants to work on Saturday?

In 1977, employers and union members were united in their opposition to extended trading, and shopworkers were often encouraged by their bosses to attend stopwork meetings.

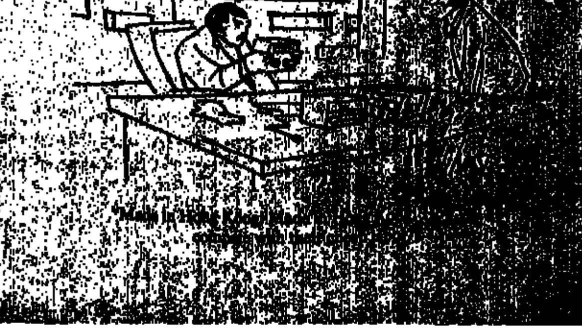
But times have changed, Davies says. With a less favourable economic situation, more retailers see Saturday shopping as a way of deflecting the consumer dollar away from the TAB, outings or the pub.

Older, hard-line retailers are retiring and younger members are more ready to give extended hours a go.

Even stronger pressure for Saturday trading comes from the rapid growth of selling outside of shops, from warehouses and factories.

Competition from direct selling in peoples' homes is also strong. Some ... $13 million worth of cosmetics was sold by this means ...

With such pressure the softening of the retailers' attitude is understandable ... the turnout for the current series of stop-work meetings leaves Davis in no doubt ... shopworkers ... against working on Saturdays ... as they were ...



Secret special grants follow scanner precedent

by Belinda Gillespie

HEALTH Minister George Gair's allocation of high-cost medical equipment will mean million dollar business for firms which land the orders.

An estimated \$2.4 million will be spent in the 1980-81 financial year, and a further \$1.8 million in 1982-83 on the Government's new national and regional programme of high-cost medical technology.

Linear accelerators for the Auckland and Waikato Hospital Boards, CT scanners for Wellington and North Canterbury Hospital Boards, and replacement X-ray equipment for Otago go out to tender.

Specialised medical equipment of this type could be expected to attract fewer than half a dozen tenders.

Seven or eight firms tendered for New Zealand's only CT scanner, installed 18 months ago at Auckland Hospital at a cost of more than \$1 million. The machine selected was made by an American firm, Ohio Nuclear, and supplied through Meeco, the New Zealand agent in Auckland.

Gair's announcement was a surprise to all except the hospital boards big chief's who had known for 10 days.

Hospital boards used to buy their own machines, but the *Auckland scanner set the* precedent for the Department of Health to buy new equipment.

Assistant-director of health, Dr Alex Sinclair, said the usual practice was for boards to put supply contracts out for tender, except for "very good reasons" such as a hospital being already equipped with a certain brand of laboratory or intensive care equipment which would marry further equipment from the same supplier. Except for good reasons, they all expected to accept the lowest tender.

Traditionally, purchases were funded by an annual minor capital grant, made in proportion to the size of the hospital board for the purpose of buying new or replacement equipment.

Equipment for new hospitals also goes out for tender, and is paid for by local body loans raised by the board.

The Health Department's role has previously been to monitor expenditure to ensure it makes sense or does not go on "excessive or exotic" equipment.

Hospitals can buy up to a set level – the largest – \$20,000 for Auckland.

But the cost of medical technology has rocketed in the last three years. Virtually all equipment is imported, said Sinclair, and costs have gone up a minimum of 50 per cent in the period.

Items which boards would have been expected to get under the old system have *become too expensive – a* medium-sized hospital for example, might have to spend its entire budget on one piece of laboratory or X-ray equipment.

The government now allows boards to buy expensive items of equipment out of loan moneys, subject to approval by the Hospital Works Committee, which meets monthly, with representatives from the Ministry of Works, Treasury and the Health Department. Items from about \$200,000 upward if approved, can be bought with money raised by local body loans.

Though the Health Department "signs few cheques" the Auckland scanner was bought on a special grant because of its high cost and its status as the first such machine in the country. Kidney machines have been bought as a package deal by the Health Department, before being handed over to boards.

The service contract and insurance for the CT scanner has been handled by the department, but will shortly be handed over to the Auckland board.


George Gair . . . funding by special grants.

Gair's February 12 package is on the same lines. Funded directly by special government grant, some equipment may be bought by the boards.

Tender documents and specifications will be written with the help of consultants and technical experts. For the CT scanner, these were prepared by a group of New Zealand radiologists and physicists.

Tenders are advertised in the four main centres, and invited from relevant firms. The boards concerned are invited to nominate suppliers.

Suppliers of high-cost medical equipment are usually big, diversified companies which can carry the high capital cost and sporadic purchases. AWA New Zealand Ltd, Philips Electrical and Selby-Wilton Scientific Ltd are among those in the running as suppliers.

Gair's move is seen in some quarters as a first (and belated) step in putting into practice the Planning Council's suggestions for the rationalisation of high technology medicine. According to Sinclair, those involved were not "unduly conscious" of the Planning Council's recommendations, but were making "an independent attempt to rationalise services, taking into account national and regional needs." Under the old system, he pointed out, the hospital boards set their own priorities, which were not necessarily those of the country as a whole.

Questioned on the secrecy of the programme, Sinclair said it had been deliberately "kept under blankets" during the six months the programme had been developed. Specialised reports on the services involved, and on which the decisions were based, will be released soon he hopes.

Though the flak from Dunedin was expected, the other hospitals have done well, Sinclair believes, in today's economic climate and with the current swing away from technological medicine.

Vine research awaits destiny

THE fate of the Te Kauwhata Viticultural Research Station is undecided.

The question of the station's closure is being investigated by the Industries Development Commission. A report is expected "shortly", Agriculture Undersecretary Ron Talbot told the Wine Institute

"But whatever the outcome, I would like to emphasise the research in both viticulture and oenology will continue with increasing emphasis being placed on research in the districts where both major developments are taking place, especially Blenheim and Gisborne," Talbot said.

Spate of decade summaries as prices surge

by Gordon McLauchlan

THE New Zealand book business — importing, publishing and retailing — has escaped the recent massive problems of other countries, specially Britain.

But trouble may not be far away.

Inflation and the strengthening of the pound against the dollar towards the end of last year caused a ripple of price rises as New Year trading started.

These forces have surged since and some book trade sources are predicting sudden, steep price rises over the next few months.

New Zealand's own continuing, substantial inflation will add to this upward movement of book prices.

These trends come at a time when consumer resistance to spending on leisure goods and services is growing where prices are continually edging up.

Trade reports say that sales of hardcover fiction have already drifted downwards with readers waiting more determinedly than ever for the paperback to arrive.

One recent stratagem by international publishers to help beat costs here is the consignment of books direct from low-cost printing houses in South-east Asia. Previously books were produced and returned to Britain before allocation on indent here. The direct supply has chopped dollars from retail prices.

The book business has so far held up strongly enough in New Zealand for publishers here to plan a normal year's output, with some notoriously unprofitable local fiction.

According to *The Economist*, the trouble in Britain has come from "over-investment," especially in printing and warehousing.

"But all publishers are now confronting the awful prospect that they may be among the first to feel the draught of severe recession. Their vulnerability has been exacerbated in part by the loss of their established strength in export markets, owing to the rising pound, and also by their habit of selling as much as half of their domestic output to libraries in the public sector.

"Both local authorities and universities have descended with painful speed on their budgets to buy library books as the easiest cuts to make first."

Collins, the multinational house of Penguin, Weidenfeld and Nicolson and a number of other lesser known British publishing houses have had to make savage overheads cuts, including laying off staff.

Not even *The Economist* is yet diagnosing whether the illness is acute or chronic, whether it will be shaken off when the business tone of the community picks up, or whether the good times of the 1960s and 1970s are over forever.

But one thing is certain: too many books are being published. A total of more than 41,000 titles in 1979, up 25 per cent on 1969, and up 50 per cent on 1959.

Among forthcoming titles is a spate of books on the 1970s. Not far away is *The Seventies*, by British journalist Christopher Booker. His assessment, hardly comforting for the future, is that they were a "10 gloomy years when we seemed to lose faith in everything from tower blocks to the value of money."

From America's Viking Press will come *The World of Oz* by Osborn Elliott, the editor of *Newsweek* from 1961 to 1975. It is about the sixties and the 1970s in the United States, from Kennedy through Lyndon Johnson and Nixon to Carter. Although a chronicle of political stupidity and corruption, it has about it an American depth of community concern and desire for decency and fairness from which the world can take some small hope for the years ahead.

How many editors of major newspapers or magazines in how many countries could look at a problem like racial inequality without any close personal involvement, investigate it carefully and then decide it was time to help end it by exposing its injustices?

"I grew up in a whites-only cocoon of private schools . . . and attended a college where the only black I had even a nodding acquaintance with was an enormous handyman who used to tend bar at Harvard cocktail parties . . .

"There used to be jokes in the wardroom of my ship, the heavy cruiser, Boston, about how the steward's mates washed their socks in the officers' coffee. They probably should have if they didn't . . ."

Despite that background, and with the help of courageous Southern journalists, Elliott concentrated on a continuing profound and fair coverage of the bid by American blacks for their full share of civil rights.

When *Newsweek's* women staffers filed a complaint with the Equal Employment Opportunities Commission, charging discrimination against women for writing jobs, Elliott again decided that his traditional attitude was unfair and he worked over the following years to redress the wrongs.

The author doesn't try to be wise after events, confesses he was wrong for a long time about Vietnam and other issues. It's a bustling book full of warmth, wit and sincerity and a deep regard for the integrity and serious purpose of journalism.

Books

Confirmed liberal conceives Lex Augusta

by Colin James

IT is a matter of surprise that anyone could willingly take on the job of "supervising" the Contraception, Sterilisation and Abortion Act.

By its very title, the Abortion Supervisory Committee is no simple licensing institution, performing a neutral, technical function.

It is, whether it likes it or not, in the middle of the maelstrom of irreconcilable invective. Where it has discretion, it will be held accountable for failing to meet one of two diametrically opposed views on how many abortions should be allowed.

Avoiding falling into the camp of either the Society for the Protection of the Unborn Child (Spuc) or Abortion Law Reform Association (ALRANZ) should present no difficulty.

But there is a broader dichotomy — between the overwhelming public preference for fairly liberal abortion laws, given legal recognition in the Woolnough case, and the parliamentary majority for restrictive controls.

In the event Parliament ducked the question, leaving the substantive abortion law unchanged, but setting up a mechanism for approvals and performance of the abortions.

The mechanism has proved unwieldy and, judging by the numbers of women going to Australia, unworkable. The law contemplates lawful abortions along Woolnough lines, but is unable to ensure they can be obtained.

The supervisory committee apears to have opted for restrictive control.

And, since it has legislative discretion on who its appoints as certifying consultants and on who is a "fit and proper" person to run an abortion clinic, it can substantially influence the number of abortions.

This is galling enough for the liberals and Dr Geiringer eloquently argues that the committee should keep its hands out of what should be the certifying consultants' business — the decisions as to whether individual women should have abortions.

He cites letters written to certifying consultants complaining about their "very high rate of approval" and one to the Wellington Hospital Board asking it to explain the committee's subjective assertion that "a far greater number of terminations have been carried out in your area than had been anticipated over the 12-month period."

Geiringer sees in these an intimidatory campaign against liberals, a campaign which brought the abortion service completely to a halt in Wellington.

But there is much more to Geiringer's book than a liberals-versus-conservatives argument.

Geiringer argues, with persuasive logic, that the committee has failed in its duties.

In some areas it has failed to ensure there are enough certifying consultants to provide quick decisions on abortion requests without forcing women to travel too far.

In other areas it has failed to ensure there are facilities to perform abortions that are approved.

And, on its own admission, it has failed to ensure that there are adequate counselling services for women who request abortions.

The result: indignities, delays and expense. Whatever the moral aspects, it is medically unsatisfactory for women whose health may, in terms of the legislation, be in "serious danger".

Geiringer says of the Wellington-Hutt area, lumped in with the Wairarapa, that "poor women from Porirua and Miramar are nowadays forced to travel to Masterton, not for an abortion but for a certificate for an abortion to be performed — in Auckland (!)"

Geiringer concludes: "They (the committee) have made a law which was designed to prevent unlawful abortions into one which is now being used to prevent lawful abortions."

This book should upset members of the supervisory committee and the woman whose name it takes, Augusta Wallace. It provides ample reasons why a magistrate should feel in the end she could not continue. (Wallace resigned last year.)

The book will also bring predictable responses of indignation, anger and sorrow from both sides in the abortion debate.

But in one sense it is a joy.

Though it is not immaculate and some of the assumptions are challengeable, Geiringer's cool, clear logic ensures this is not simply a polemical work of a confirmed liberal.

On that level — as a closely argued case — and as lucid prose of the highest calibre, the book is well worth the hour or so of your time it takes to read it.

There's just one problem. The book is written in the form of a critique of the committee's two reports to Parliament last year. But don't go looking for a copy of the reports in a Government Bookshop or library. They were laid on the table of the House, but never printed.

The Lex Augusta, by Dr Erich Geiringer, published by Alister Taylor, 52 pages.

DC10 loss slows Japan link

DIRECT flights between New Zealand and Japan won't now start until after mid-year.

The loss of the DC10 at Mount Erebus has forced Air New Zealand to put off its planned start-up date of April until at least July, and probably later.

Airline planning director Daryl Jeune says the postponement will also allow Air New Zealand more time to finalise its route plans.

Air New Zealand is looking to fly through Nadi to Tokyo — the most direct route — or to extend its present Auckland/Hong Kong service on to Tokyo.

Jeune says there are a number of technical and commercial factors supporting both courses, and a final evaluation is not yet complete.

JAL. Air New Zealand's partner on the route was not planning to start until later in the year anyway, so that it would start flying into the southern spring and summer.

The Antarctic crash has forced the delay according to airline officials, despite the end of one DC10 charter to National Airlines in the United States last September.

Manufacturing

Govt faithfully implements IDC textile plan

by Rae Mazengarb

AS one textile industry source put it, restructuring by definition usually entails a shift in the labour force and an aggregation of operations into fewer, larger and more efficient units.

And with that consideration to the fore, the Government's decisions on the Industries Development Commission's report on the textile industry last week contained bitter pills for some sectors, but provided a degree of cushioning along the way.

With a few minor adjustments, the Government has virtually adopted the IDC plan in its entirety.

Earlier last week, few industry sources had had the opportunity to muse over the detail. But there were signs that when the smoke cleared, manufacturers would be in a better position to plan their futures.

There are no doubts that there will be unemployment in some areas. But as one observer optimistically pointed out, this might amount merely to a re-deployment of labour into those areas button-holed for growth.

The president of the New Zealand Textile and Garment Manufacturers Association, John Penny, said that in terms of the total industry, reaction to the Government decisions had been somewhat "mixed".

"I think it's a bold and imaginative plan which entails a ruthless sorting-out of the inefficient operators," Penny said.

The industry was efficient and would show an ability to adapt accordingly, making itself into an "orderly and profitable industry".

But Penny foresaw a difficult period ahead.

Companies would have to adjust their positions, staff would have to be retrained, and some regional areas could be in for some "taumatic" changes.

The full text of the Government statement had not yet been received when he talked to *NBR*. But in the main, it appeared the Government had implemented the IDC plan "pretty faithfully", he said.

Penny highlighted three problem areas:

- Employment;
- The predominant fibre rule;
- The household textile (bed-linen, towels) area.

"I believe there will be a substantial amount of re-deployment of personnel, particularly in the yarn extruding and texturing area," he said.

For instance, a small town like Shannon, employs about 80 people in yarn extruding in just one plant.

"The Government is going to have to work urgently on its promise that it will assist with re-deployment and so protect these people from unemployment," Penny said.

While the Government had made an important gesture by its assurance of $5 million assistance to facilitate restructuring and rationalisation of the woollen milling sector, Penny said the mills would be concerned that under the new predominant fibre rule, they would face some "tremendous competition" from overseas.

The new rule replaces the old substitutability clause in terms with the IDC's recommendations.

The clause had been used to protect the wool-milling industry from imports of synthetics.

The IDC recommended – and Government has accepted – that the clause be dropped and import licence restrictions on non-wool fabrics be removed.

The policy is intended to benefit the fashion and garment industry by making available cheaper and more varied inputs.

In the household textile area, the decision to exempt linen from import licensing, and to free babies and young infants' clothing from duty as well as exempt them from import licensing, would greatly affect an area which was a substantial employer specially the small pockets of industry in the regional areas, Penny said.

But on the positive side, he pointed out that all knitters would be happy to gain access to competitively-priced yarn (the Government will make these fabrics available exempt from import licences as from July 1, this year).

Not only would costs be lowered to knitters, but there would be advantages to be passed on to both domestic and external customers.

Penny said that everyone in the textile business would welcome the suggestion that Government would relax the 10 per cent sales tax on machinery and parts on a case-by-case basis.

A vocal critic of the IDC plan, Alliance Textiles Limited Farquhar McKenzie, said he would not comment until he had "seen the fine print".

"People can comment on the short-term (possibilities) – but the long-term effects could be quite different," he said.

He instanced, the Government's $5 million assistance for the woollen mill sector.

Government had not yet indicated how this money would be spent. "And it can be difficult to extract when it comes to the pinch," McKenzie said.

According to the schedule of Government action, a decision on the eligibility of wool tops for the export incentive scheme has been deferred.

"It doesn't make sense," McKenzie said. "We have half our people employed in this area."

Referring to the bounty which would be paid to weavers of woollen and worsted fabric woven in New Zealand at a rate of 25 per cent of factory selling price, terminating in June 1984, McKenzie said: "We can't be carried away by the short-term benefits."

His company would be looking at the total situation before decisions on the future were taken – "and take into account the short and the long term," he said.

The president of the Woollen Mills Association, Jim Lee, who had had the statement read to him, expressed some caution about commiting himself at this stage.

He said the bounty system on fabrics – though favourable to most areas – was not enough for the worsted and fancy fabrics.

The woollen yarn side "looks pretty good", he said.

But worsted fabrics would "come right only if the industry is rationalised and the modern equipment we have fully utilised".

Until Government detailed just how the $5 million Government assistance grant would be spent, its effectiveness was unclear. Ideally it would be spent pulling the woollen mill sector together to obtain maximum efficiency and utilisation of equipment.

"But there will be shareholders of some companies to pay off, and redundancy agreements to be worked out," Lee said.

Lee – who is managing director of Mosgiel – said overall he was optimistic, but would need to see the fine print.

Some areas on the worsted fancy and mixture fabric side could be "severly knocked", he said.

But the industry had to make sure through rationalisation that "whatever fabric we make best we make in volume in order to compete internationally".

Mindful of the short-term nature of the cushioning assistance, he said that after five years, the industry should be able to stand on its feet by proper restructuring.

Overall, the Government's decisions "could be a substantial shot in the arm for the woollen industry", giving an opportunity to establish it on a better footing and become internationally competitive, Lee said.

Regional development

AHI: success story flops from southern favour

WITH $12.5 million in export earnings under its belt and nearly 180 Dunedin workers in its container manufacturing plant, George and Ashton, a wholly-owned subsidiary of Alex Harvey Industries, looked set to extend its success story of the 1970s into the 1980s.

As late as the end of January, the company looked to be the example to follow: an aggressive, local-based exporting industry, lauded by the media and beloved by southern politicians.

Today Alex Harvey Industries would rank top of the most unpopular companies in Dunedin after deciding to close the George and Ashton operation, leaving 176 people out of work.

The abrupt announcement to shut down between March and April came as a shock.

Cabinet had been told less than a week before the announcement. Dunedin business interests knew nothing of the pending closure, although some had a hint the company was having difficulty getting container orders overseas.

The workers, many family men feeling the effects of Christmas expenses and New Year school uniform outlays, had no idea they were all about to lose their jobs, although some expected a few redundancies among newer employees as work was reduced.

AHI claims the shutdown results from a world-wide downturn on the container market caused by:

- Disruption of sea trade resulting from the Iranian crisis and the subsequent release of containers from road and sea routes for service elsewhere;
- A faster than expected containerisation of non-container shipping routes;
- Increased efficiency of refrigerated container handling, resulting in greater tonnage from fewer containers; and
- Uncertainties plaguing the world trade in refrigerated foodstuffs.

But the simple fact is AHI has become uncompetitive on a highly competitive international market.

The closedown is a reminder of a frequent warning that an export-related industry is unstable if it does not have a strong domestic market base.

And it is on the home market that AHI has failed.

The company has received more than $4 million in Government subsidy, a regional development project second only to the West Coast Matai Industries failure to attract taxpayers' money.

Had the money been paid out as a regional development grant, AHI could be faced with having to repay it, since the company would not have fulfilled the requirement to remain in the region or remain in business for five years following the payment.

But the money was paid out as a subsidy by Government to get the industry off the ground.

In 1974 the Shipping Corporation was looking to fulfill an order for 2950 containers, 2100 of them insulated.

The then Labour Government directed that the order for 1100 of the insulated containers should be filled in New Zealand.

George and Ashton, which had been bought out by AHI in 1970, was the successful tenderer for the order, which was let reluctantly by the Shipping Corporation at a price much higher than overseas.

The taxpayer provided the $4,063,000 paid out in Government subsidy to offset the difference between George and Ashton's price and the overseas tender.

But the company went on to stand on its own two feet, ploughing out many more containers than the 20 or so a week needed to break even, and winning four more contracts against stiff overseas opposition in Japan, Germany and England.

It was a $20 million business during those 4½ good years, and most of this was in overseas exchange earnings.

Then came the crunch. AHI's confidence that it would get a recent order for containers from the Shipping Corporation again – an order outside overseas competition that would bring a healthy profit margin – fell flat. The order went to an overseas competitor.

And the world container market took a 40 per cent drop almost overnight.

The five fat years promised to be followed by an unpredictable number of lean years. AHI took the decision to close the operation when world-wide market jetsetting failed to secure contracts.

From an accountant's viewpoint the decision made immediate sense.

Last year AHI, which had been managing George and Ashton from Auckland, took the decision to phase out all work at the factory other than container production, which represented over 90 per cent of the output.

Thus the factory was rationalised into a single purpose AHI offshoot where the bottom line ruled supreme.

From a regional viewpoint the saga did little to endear AHI to parochial Dunedin interests.

The direct effect of the closure is to add 176 workers, most of them only semi-skilled, to 1009 already registered as unemployed.

The decision also affects the local firm Emslie Consolidated Industries Ltd. Emslie's supplied foam insulation for the containers and their production will be scaled down because of the closure.

Publicly, Emslie's management are playing the effects of the closure on their company down. But it is understood the company relied to a large extent on the regular cash flow the container production bought, and that the closure is aggravating difficulties.

The closure also highlights AHI's track record in Dunedin.

In 1977 AHI closed its metal container factory in Dunedin, moved trhe operation to Christchurch and claimd the 45 redundancies would be offset by expansion of its George and Ashton operation.

Last year the company closed Architectural Windows Ltd, a company it had bought as Crittle Metal Windows, and changed the name several times before closing it. The 13 staff members made redundant were offered work at George and Ashton's.

Between times the company had also closed its Dunedin sales office of Lyte Aluminium ladders, and company records show the demise of the Dunedin AHI Home Improvements Services operation.

Then came the announced closure of George and Ashton. And with no remaining Dunedin operation other than a small warehouse for the Plastic Extrusion Company to fall back on, the company has said jobs could be made available in Christchurch with the expansion of its Crown Crystal Glass plant.

The closure bought an angry response in Dunedin. Business people felt the company had regional obligations, particularly considering the aid it had received, and that it should ride out difficult times on a reduced scale, the same as any local business has to.

Dunedins' Mayor Cliff Skeggs hit out at AHI for taking advantage of local skills and expertise to make a quick profit then get out with little regard for the community.

Skeggs, who is no stranger to the container business through his local interests and as chairman of the Otago Harbour Board during the container port fight, claimed the container market will pick up in 1982 and the company should ride out the intervening period.

But such parochial arguments have fallen on deaf Auckland-based ears.

And with the closure a *fait accompli*, some local business interests have already exploited the issue politicly, claiming it highlights the need for the region to lobby for compensatory industry, like a smelter at Aramoana.

Dominologists to shoot for new world record

WORLD record domino-toppling organiser Alister Howden is planning another record attempt in Auckland.

Last year Howden set a record by toppling 229,488 dominoes in a fundraising stunt for Telethon. It took a team of 20 several weeks to set up the dominoes, one minute 46 seconds for them to fall, and 4¼ months to sort the dominoes back into sets again.

What with dominoes filched by souvenir hunters and other problems, the exercise cost Howden $3000 (he budged for $300) and raised about $3000 for Telethon.

Most of the income came from the sale of raffle tickets at 50c each. The winner won the right to topple the first domino, and the person who starts the chain reaction gets his name in the *Guiness Book of Records*.

The SPTV film of the event was shown world-wide but earned only about $165 for Telethon.

Tom Parkinson, head of entertainment at TVNZ, said that if the event had been filmed as a half-hour documentary, it might have been sold for big money.

But it went out as a news item into the world-wide pool operated by Television newscasters and the $165 was a good return.

The next record shot will be done differently, Howden said, without revealing details.

Next time there will be 250,000 dominoes going down over a period of 50 minutes.

Electronic engineers streamline milk production

by Lani D Hunter

DAIRY farmers can look forward to an increasing array of new products designed to improve efficiency in the face of rising costs.

Recent trends overseas have seen sophisticated electronics, even computers, being applied to streamlining milk production.

Tru-Test Distributors, of East Tamaki, Auckland, a highly successful exporter of milk metering instruments, is one of the local companies preparing the ground for the computer age.

Tru-Test has been trading overseas for 13 years and 90 per cent of its business is now for export.

It expects well over $3 million in sales this year.

A swag of that income will go into the company's research and development programme to investigate possible uses of electronics in dairying.

The world-wide need for increased efficiency has resulted in a concentration on increased production monitoring, often on a daily basis, of each cow in the herd. And in Britain, if the herd is big enough, a computer is called in.

The average Kiwi herd (17,000 farms; average 120 head) is too small for the sophisticated systems available to, say, the Californian dairy farm with herds of between 500 and 5000 cows.

And as far as efficiency goes, the periodic sampling by our local herd-recording associations is sufficient for current production and quality standards.

Also, our pasture feeding is cheaper than in Britain, Europe and North America where there's critical concern with cost savings at every step, particularly when grain feed or concentrates are used.

But times are changing, costs are rising and the New Zealand dairy farmers will not be able to ignore simple systems that save money.

And the savings can be dramatic, as shown by one invention introduced in recent years by various manufacturers: it is a vacuum-operated device that automatically drops the cups off the teats after milking. It can save the wages of an extra man in the shed.

The Kiwi attitude toward efficiency is rapidly being changed by such mechanical products and will increase further with the application of electronics.

Tru-Test, a truly home-grown industry, is now a world leader in the field, operating at the top end of dairy technology. It, too, started with mechanical inventions.

The history of the company is a classic Kiwi success story; a pit-in-the-eye for those chip-on-the-shoulder attitudes you get when you start to talk about the ability of New Zealand manufacturers to compete on world markets.

The business grew out of direct contact with the land by its managing director, John Harstone, an ex-dairy farmer and part-time engineer with a thirst for competition.

Harstone recalls: "I got cracking in the early 1960s on developing a milk meter to meet a growing need. Other people around the world were trying to design one too, but we got a good start and the opposition helped.

"I'm a firm believer that any individual or company must have competition for the achievement of the best.

"Another factor in our success was my farming background. I have always been able to relate the farmers' needs to the product."

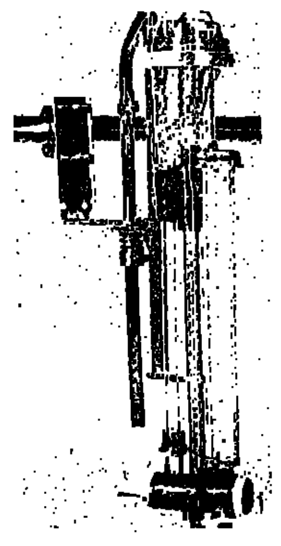
And because of what he described as the farmer's "inventive expertise", Harstone is convinced New Zealand will make an even greater contribution to world primary production methods.

Although his personal preference was engineering Hartstone first made the acquaintance of cows on his father's farm in the Waikato at 16 when his two elder brothers went to war.

He was thoroughly trained in dairying but maintained his interest in engineering.

The need for greater efficiency became apparent in the early 1960s and in 1962, the Milk Marketing Board of Britain called for the manufacture of a meter to take proportionate samples while the cow was being milked. It issued the specifications world wide.

The idea was to obtain, simply and accurately, a sample from each cow which could later be checked for productivity in terms of quantity and analysed for butterfat content, protein, lactrose and so on. Such useful information was previously available only via crude bucket methods.



Milk meter . . . 260,000 made.

The British threw out the challenge, and New Zealand was one of the countries which picked it up.

With the help of a friend with an engineering business, Hartstone made several prototypes, took out a patent on the operating principle and formed a company to develop it.

The design took three full years. It had to be precise, yet take into account the fact that milk won't behave as a liquid while travelling in a vacuum.

When finally a workable prototype was developed, the materials – brass and perspex – were not hygienic enough and too costly for mass production.

Consolidated Plastics, of Auckland, was called in to advise on suitable plastics. But then the shape of the meter was considered too complex for plastic injection moulding.

Hartstone says: "Fortunately, the average Kiwi is a supreme optimist and we kept going until we found a way. Consolidated Plastics eventually won a number of design awards with the meter."

Five years after the idea was mooted, the Tru-Test meter was endorsed by the New Zealand Dairy Board for official herd recording. Harstone dropped out of dairy farming, started assembling the units and exporting.

Consolidated Plastics made the plastics and John Hunter Ltd of Hamilton made the steel parts.

Although overseas manufacturers were still in the race (Tru-Test still has four major competitors world-wide) the company won a slice of the market at its first outing. Its first export order in 1967 was worth $18,000 – as much as the local market for the same year.

Another five years of rapidly increasing exports enabled Tru-Test to set up its own manufacturing plant.

Marketing was in accordance with Harstone's individual style: personal contact. He personally obtained approval from dairy authorities throughout the world, requiring him to spend up to four months a year away from New Zealand.

Britain was the first to endorse the meter (following a stay of two months), then Australia, Canada and the United States.

Thirty five countries now use it and substantial sales have recently been made to Hungary.

On the subject of personal contact, Harstone says: "I have always tried to find out what the customer wants by talking to him and designing for his needs. Then all you have to do is convince him you're supplying his needs better than the opposition."

The company's export record has not gone unnoticed by the Department of Trade and Industry, which awarded it high priority export status in 1978, enabling it to benefit from streamlined import/export procedures.

Last year, it won an award from the Trade Promotions Council for "continued and outstanding success in export markets over the previous three years".

Because of its commitment to overseas markets, the company now has a research and development section manned by three engineers whose job it is to produce at least one new product for export each year.

The latest is a milk-let down stimulator – a vacuum-operated device to encourage temperamental cows to give milk. (Jersey cows need more stimulation than Freisians).

The range of meters for sampling has grown to 12 types, including meters for goats.

Because so much of the company activity is directed overseas, engineers keep a close eye on developments in electronics.

One recent innovation is the "electronic" collar worn by each cow to identify it automatically while it is being milked.

Other recent overseas developments:

- Automatic record keeping of production levels;
- Automatic sample testing;
- Automatic allocation and feeding of concentrates per animal according to production.

Local conditions do not warrant such complete monitoring systems, but much of the technology being developed here for overseas markets can be adapted for local use.

A case in point: a possible cow identification scheme if developed here might cost up to 400,000 dollars to develop, a sum not recoverable in the local market. Yet New Zealand dairymen would immediately reap the benefits.

Tru-Test is a family concern and three of Hartstone's sons work for it, one of them, Tony Hartstone, is the European sales manager based in Luxembourg, David, based in Auckland, manages sales in North and South America and Asia. Mark is the company's production manager.

In keeping with Hartstone senior's strong sense of competition, all three get no special privileges and are employed on the same basis as any of the other 75 employees. None works directly for his father.

And again in character, Hartstone vigorously supports a free-trade economic policy.

"We've got to develop a situation where protection is gradually eliminated to force manufacturers that cannot be competitive internationally to produce goods that can be.

"New Zealand has many areas in which it can lead world manufacture.

"After all, the New Zealand economy, to a sizeable degree is based on dairying and because of it we lead the world in understanding the problems. There's a vast market to develop."

Planners move toward providing office back-up

by Nicholas Jones
of the Royal Institute of British Architects London.

MANY people who saw the film "All the President's Men" were left with the vivid impression that the average newspaper office is a model of efficient open planning. with only the gentle purring of electric typewriters and the soft warbling of discreet telephones breaking the sepulchral silence.

But those who have seen the inside of a busy newspaper or magazine will confirm that their lasting impression is one of disorganised chaos and they simply cannot imagine how any news is ever gathered in a coherent form suitable for publication.

The complex interacting human and mechanical systems that are to be found in a newspaper office are, in fact, a basis for studying the art of office design and layout and the furniture and equipment that is used to achieve the maximum efficiency.

The growth of big business organisations and institutions and the emergence of the first office systems gave a new importance to the office building as a serviced shell into which a properly planned administrative structure could be fitted.

Now, as then, most office users discovered the advantage — though something of a luxury — of a purpose designed and built office building, as opposed to a rented speculatively built shell, which has to be equipped and altered to meet the tenant's specialist needs.

Sadly, however, most organisations place a low priority on the expenditure on office accommodation and equipment. One British architectural practice has calculated that over a 30-year period an average commercial company will spend only 2 per cent of its total expenditure on premises.

One-off administrative headquarters . . . sophisticated service network.

But the advances in technology and the more sophisticated approaches to general design standards in Europe in recent years have produced some revolutionary changes that are bound to have a major impact on the efficiency and workings of office organisations in the next 10 years.

Beyond the 1980s it is impossible to predict changes or developments with any accuracy: the rate of change in the fields of commerce and industry have already outstripped all predictions made 10 years ago (the emergence and future potential of the microprocessor is just one example). It would be a brave man who would forecast to what extent machines will be working for man at the end of the century.

In interior design terms, the German-originated Burolandschaft idea, first developed by the Quickborner team in the late 1960s, has been seen by many to have limited uses. The less rigid landscaped open office approach is favoured by management and workers.

One of the main criticisms made about Burolandschaft has concerned the traditional office hierarchy of management functions. It is interesting to note that even the newspaper office in "All the President's Men" was based on the old bull pen system whereby supervisory staff are elevated to special positions at the end of the open office area and the managers are all housed in sound-proof glass boxes.

Burolandschaft, as a staff leveller, was clearly too effective.

The less sophisticated approach of landscaped open office layouts that are not so precisely linked to any sequence of operations is still widely used by designers in Britain, producing cost effective solutions that are generally liked by office workers. Some physical division of functions is usually necessary and the range of highly flexible office furniture systems is now larger than ever.

They fall broadly into three categories — the screen-based system, whereby individual work stations, group working areas and conference units can be created out of a wide kit of parts ranging from large vertical screen panels to the smallest item of desk top furniture; the panel system, in which individual units, including desks and storage units, are constructed from modular panels; and the expensive metal tube construction system, based on modular components to enable an office to be built, Meccano like, from a kit of parts.

In parallel with the opening up of the general office area based on these systems, a preference for traditional cellular offices for middle and top management remains. The need for privacy, confidentiality and a sound-proof barrier against the general hubbub of a general office and its associated machines are the most frequently used arguments — though the retention of the traditional trappings of status may also be behind many of these stated objections.

The solutions of the problems of human and machine-generated noise have been so well cared for by architects and engineers that it is common for the ventilation contractors to be asked to build into their air conditioning installation "white noise" — a special background hum which will take attention away from the extreme quietness achieved through sound absorbent carpeting and ceilings.

One of the most successful of the now diminishing number of one-off administrative headquarters built in Britain in recent years has been the head offices of the giant Halifax Building Society in its own Yorkshire home town. Open office accommodation has been provided by the designers, Building Design Partnership, with a network of highly sophisticated systems serving the clerical staff.

A frequent operation carried out by a building society is the inspection of property deeds. These are now stored in a deep two level underground vault, stacked in vertical banks of special filing cabinets which are loaded and unloaded automatically by a conserve-a-retrieve system (a sort of fork lift truck that carries piles of deed folders up and down the aisles between the stacks, dropping them in the correct opening via computer programmed instructions).

in the home and opening the workplace to family

This system, developed by the architects for Halifax's needs, has saved something like 2000 filing clerk jobs alone.

Horizontal document conveyors are now commonplace in large offices where there is a high degree of internal communication. The movement of files and papers and a vertical and horizontal system of moving documents via special sealed cassettes has also been introduced in Europe, enabling incoming mail, once handsorted at the point of entry, to be quickly distributed to all parts of a multi-storey building.

Telex communication between offices has also been supplemented by closed circuit television and data despatch systems. The British Post Office has recently pioneered a Confravision system whereby a number of businessmen can confer together while based in different centres equipped with closed circuit television cameras.

As in the case of the earlier viewphones, however, there seems to be some inbuilt human resistance to carrying out the traditional face to face contact through an electronic medium.

Servicing office buildings that are now equipped with these sophisticated communications systems has meant that a greater degree of flexibility has had to be built into electrical, ventilation and telecommunication supplies.

The traditional perimeter servicing has been almost totally superseded by either underflooring trunking with multiple outlets that can be opened up alongside any work station or, more recently, by overhead servicing, with simple drop down power and telephone lines.

Just as the whole approach to the design and quality of office screen and component systems has been given more professional attention, so too has the question of ergonomically correct seating.

Indeed, it could fairly be said that the design of desk and car seats has now reached a far higher degree of sophistication than the design of domestic seating.

Colours too — not only in this new generation of office furniture but in general interiors — are now carefully considered in relation to the work functions, the identity of the particular office section and the overall ambience to be aimed for.

The clinically stark all white interiors beloved of the admirers of the Bauhaus school have been largely replaced with warmer shades and patterns that create pleasant working areas with a more domestic feel about them.

Curiously, the smaller scale of the office and the attempt at creating a home away from home feeling may not be unconnected with the latest projection of things to come.

Rodney Phillips, director of Industrial and Interior Design with Building Design Partnership, one of Britain's largest multi-disciplinary practices, believes that the home may yet become the workplace for tomorrow's executive.

"Because of the growing pressures that are placed upon the middle and top management executive these days," he says, "there is an increasing need to retreat to tackle any sort of creative project, such as producing a report or preparing a forward programme or budget. At the moment, we take the work home and tackle it in peace and quiet — and probably finish it in quarter of the time.

"But it is all rather haphazard: there are no back-up systems, no files or data to refer to. With the rapid development of low cost communication systems based on television, cassette recording and the silicon chip it seems likely that the electronics revolution will dissolve the mass of clerical workers. likely that the electronics revolution will dissolve the mass of clerical workers, leaving only the thinkers and the people handlers in charge.

"Face-to-face contact will still be the accepted mode of carrying out traditional tasks such as bargaining, buying and selling — just as it always has been since the market place and the commodity exchange first became part of society's method of trading — but it also seems feasible that the home of the average executive will be an office and that the headquarters building will be opened up more to the family"

Just such an approach has already been tried on a small scale in Ipswich, Suffolk. There the City of London based firm of insurance brokers, Willis Faber Dumas, has had erected by the award winning designers, Norman Foster Associates, a handsome openplanned office building, surmounted by a rooftop restaurant and gardens.

Adjoining the building's main entrance hall, a large heated swimming pool is available for office workers and their families to use at any time.

Return decline: death cry or lack of courage?

Melbourne Correspondent

INSURANCE Council of Australia president David Brown has told members that if present trends in Australian insurance continue, Australia may not have any private sector insurance by the year 2000.

In the year 1977-78, incurred claims increased 6 per cent, underwriting expenses increased 7 per cent, and earned premiums increased a nominal 2 per cent.

Brown referred to the latest report of the Australian Insurance Commissioner, which records the underwriting results of the private sector of Australia's general insurance business in the last five years: 1973-74, deficit $A73 million; 1974-75, deficit $A198 million; 1975-76, deficit $A37 million; 1976-77, surplus $A40 million; 1977-78, surplus $A2 million.

According to an ICA spokesman, the figures for 1978-79 are not yet available from Australia's Insurance Commissioner. But at December 1978 there was a deficit of $A34 million, and the figures for 1978-79 are expected to show a "substantial deficit."

The new president told ICA members these figures revealed clearly that after the upheaval and subsequent recovery brought about by escalating workers' compensation benefits in 1974-75, competitive forces affecting both risk carriers and intermediaries have resulted in an accelerating decline in the returns of the Australian insurance industry.

Unless the underwriting operations of Australian insurers produced sufficient surplus to make adequate provisions for claims, future catastrophes, unexpired policies and for profits, as well as normal operating expenses, then they were eroding the strength of businesses bequeathed to them by their predecessors, and imporverishing the inheritance of their successors, Brown said.

"What we seem to lack is courage," he said.

"In a market place free from any pricing controls imposed either by ourselves or from without, we have been panicked into accepting premium rates unrelated to any assessment of potential liability. Too often the governing factors have been fear of competition (often unfounded), illogical pursuit of growth during stagnant economic conditions, the competing interests of rival intermediaries; in short every factor except the only valid one — what is the right price to undertake a particular liability?"